LONDON BOROUGH OF HAMMERSMITH AND FULHAM

STATEMENT OF ACCOUNTS

2008/09

Certification by Chairman of the Audit Committee

I confirm that these accounts were approved by the Audit Committee on 22nd September 2009.

Councillor Iggulden
22nd September 2009

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STATEMENT OF ACCOUNTING POLICIES (Pages 12 - 22)

This is an explanation of the basis on which the accounts have been prepared and their compliance with the guidance of the relevant regulatory bodies.

FINANCIAL STATEMENTS (Pages 23 - 76)

These statements summarise the overall financial performance of the Council in the financial year 2008/09 and its financial position at 31 March 2009. For comparison purposes, figures relating to 2007/08 have also been included. The financial statements have been produced to conform with the requirements of the 'Code of Practice on Local Authority Accounting in the United Kingdom 2008 – A Statement of Recommended Practice', often referred to as the 'SORP', and the Best Value Accounting Code of Practice 2008' (BVACOP), both published by the Chartered Institute of Public Finance and Accountancy.

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The Pension Fund accounts set out a summary of the transactions during the year and the overall financial position of the Fund. The full accounts are available from the Director of Finance and Corporate Services at the address shown below. The summary accounts comprise:

- Fund Account
- Net Assets Statement

ANNUAL GOVERNANCE STATEMENT (Pages 100 - 106)

This is a statement by the Leader of the Council and the Chief Executive on the arrangements and systems for internal control across the Council and the governance arrangements of the group.

GLOSSARY OF FINANCIAL TERMS (Pages 107 - 112)

This comprises an explanation of the local government and financial terms used in this Statement.

FURTHER INFORMATION

Further information about the 2008/09 Statement of Accounts is available from the Head of Corporate Accountancy by telephoning (020) 8753 1862, or by writing to the address below;

Head of Corporate Accountancy
Finance and Corporate Services Department
Ground Floor
Hammersmith Town Hall
King Street, London, W6 9JU

EXPLANATORY FOREWORD

The accounting arrangements of any large organisation are complex. The purpose of this Statement of Accounts is to summarise the financial performance and overall financial position of the Council in a manner which is reasonably comprehensible, whilst acknowledging that over-simplification can also be misleading. Accounting and local government finance have a language of their own so, inevitably, some technical wording remains. A Glossary is included at the end of the Statement to assist understanding of the information in this document.

The framework within which the Council's Accounts are prepared and published is regulated as set out in the Statement of Accounting Policies. The Contents page gives a brief explanation of each statement as a helpful reference. This Foreword provides a summary of the Council's overall financial performance and position.

INTRODUCTION

The changes brought about by the Code of Practice on Local Authority Accounting in the United Kingdom – Statement of Recommended Practice 2008 (the SORP) necessitates a restatement of the 2007/08 accounts in respect of FRS17. The local authority accounts are fully UK GAAP compliant and the SORP presents an opportunity to consolidate full UK GAAP compliance in preparation for the transition to International Financial Reporting Standards (IFRS), which will be adopted in 2010/11.

The four main changes to the 2008/09 accounts are:

- The adoption of FRS 17 as amended and detailed in Note 3 of the Statement of Accounting Policies (Retirment Benefits)
- The reclassification of deferred charges as mentioned in Note 15 of the Statement of Accounting Policies (Revenue Expenditure funded from Capital under Statute).
- The optional presentation of the cashflow statement (Main Financial Statements)
- The removal of Group Accounts from the Supplementary Statements as mentioned in Note 22 of the Statement of Accounting Policies (Interests in Companies and Other Entities).

REVENUE EXPENDITURE 2008/09

General Fund Services

The Council started the year with a General Reserve of £14.158 million. A balanced in-year budget meant that there was no expectation of a need to apply General Reserves during the year, leaving a projected balance of £14.158 million at 31 March 2009. The final Budget Monitor Report for the year, based on the position as at month 10, projected that a higher year end balance of £14.599 million would be achieved due to a small underspend being delivered. At the end of the year departmental expenditure was underspent by £0.673 million compared to the revised budget resulting in a net contribution to the General Reserve of £0.673 million. Consequently the General Reserve increased rather than reduced during the year resulting in a balance at 31 March 2009 of £14.831 million.

Details of outturn are shown in the table below;

Department	Original Budget	Revised Budget	Actual	Over/ Under Spend
	£'000s	**£'000s**	**£'000s**	**£'000s**
Net Expenditure				
Children's Services (inc Children's Asylum Services)	49,446	61,463	62,328	865
Community Services	78,630	80,427	80,247	(180)
Controlled Parking Account	(14,804)	(14,054)	(12,610)	1,444
Environment Services	35,391	39,535	39,461	(74)
Residents Services	11,489	11,922	11,922	0
Finance & Corporate Services	8,882	9,370	9,360	(10)
Centrally Managed Budgets	23,394	7,261	4,188	(3073)
Use of Earmarked Balances	(5,926)	3,653	4,008	355
Total	**186,502**	**199,577**	**198,904**	**(673)**
Funded by:				
Revenue Support Grant	(14,316)	(14,316)	(14,316)	0
National Non Domestic Rate	(102,834)	(102,834)	(102,834)	0
Council Tax	(67,959)	(67,959)	(67,959)	0
Area Based Grant	0	(10,659)	(10,659)	0
LPSA	0	(2,416)	(2,416)	0
Prior Year Collection Fund Surplus	(1,393)	(1,393)	(1,393)	0
Contribution (to) / from Balances	**0**	**0**	**(673)**	**(673)**

Reasons for significant outturn variances are given as follows:

Children's Services:

The overspend position within Children's Services was £0.565 million and resulted from increased costs in relation to children with complex needs (e.g. legal expenses, transport costs, cost of supervised contact).

There was also an overspend in Asylum Services for Children of £0.300 million, which resulted from a reduction in grant due to the recent criteria changes imposed by the Border and Immigration Agency.

Community Services:

The department achieved a favourable variance at the year end of £0.180 million. The main contributing factors to the favourable position were:-

- Employee efficiencies within the Adult Social Care division of £0.287 million.
- A lower contribution to the London Borough Grant Scheme and staffing underspends enabled the Quality Commissioning & Procurement division to generate a surplus of £0.388 million at the year end.

- For the Safer Communities division, an overspend of £0.277 million was reported because the division funded a number of one off costs.
- The Resource division also returned a net overspend of £0.168 million relating to a shortfall on IT costs mainly on Framework I.
- The four remaining divisions together levered in a net overspend of £0.050 million

Controlled Parking Account:

The unfavourable year end variance of £1.444 million for the Parking Control Account arose for these reasons:

- The adverse weather conditions experienced during February led to minimal traffic activity for two to three days. This impacted on the number of pay and display collection days and PCN tickets issued and meant that the outturn was lower than expected, resulting in a net overspend of £2.314 million
- Due to more stringent regulation and thorough checks, fewer permits are being renewed. The decrease in issue numbers of approximately 6% has led to a reduction in permit income and therefore an overspend of £0.069 million
- There was an increase of 33% in the number of Moving Traffic Offences PCN's issued in the last quarter compared to the previous year. This led to higher than anticipated income. A higher than anticipated payment rate also improved the outturn position by £0.508 million
- Towaway income was previously forecast at a prudent level in line with the previous year. The final outturn for 2008/09 was higher than budget by £0.134 million.
- However, increased IT and permit-related expenditure have contributed to lower the expenditure underspend. The impact was partly offset by the drawdown of £177,000 from the controlled parking account reserve
- Other costs and income including suspending parking bays netted an underspend of £0.297 million

Environment Services:

The department favourable variance of £74,000 can be attributed to the following:

- There was an overspend on civic accommodation of £0.879 million which was mainly due to a delay in the release of surplus leasehold and freehold office accommodation. There was also higher than expected general maintenance expenditure at Hammersmith Town Hall, Fulham Town Hall and Town Hall Extension.
- Funding for Facilities Management and other projects netted an overspend of £0.301 million.
- There was a shortfall in income due to the department e.g. in relation to building control, planning delivery grant, advertising income and Fulham Palace income.The net effect of these is a net shortfall of £0.433 million
- Waste disposal tonnages were lower than previously forecast resulting in an increase in the underspend of £0.603 million.
- Borough Highways made a trading surplus of £1.084 million.

Residents Services:

The Residents Services department has managed within its budget and has returned a break –even position for 2008/09.

Finance & Corporate Services:

The main contributors to the Finance and Corporate Services underspend of £0.010 million were:

- An underspend of £0.281 million achieved by vacancy management in the Councillor Services and Communications
- Higher staff costs of £0.218 million due to extensive use of consultancy staff to cover senior positions within the Organisation and Development division

Centrally Managed Budgets:

Overall centrally managed budgets, including contributions to earmarked reserves, have underspent by £2.718m. The variances within this include:-

- The most significant underspend, £2.855m, has arisen in respect of the net cost of borrowing. This budget covers the receipt of interest on surplus balances and the payment of principal and interest in relation to the Council's debt. This was mainly because the Council's cash balances were far higher than anticipated in the early part of the financial year and the Council earned a higher return on its cash balances. Although interest rates have fallen dramatically in the final months of the year the Council's position has been partially protected because it had locked into deals that spanned several months. This underspend is not expected to be on-going given recent reductions in interest rates and the fall-out of earlier deals. Fluctuations in cash balances, and interest rates, have also impacted on the sums earned, and payable, to the Housing Revenue Account.
- The remainder of the underspend relates to Housing and Council Tax benefit, write back of corporate bad debt provision, a VAT refund, and a reduction in spend on discretionary rate relief for voluntary organisations.
- These underspends have been offset by the economic slow down impacting, adversely, land charges income.

Housing Revenue Account Services*:*

The Housing Revenue Account (HRA) accounts for the costs of housing people in Council-owned accommodation. The Local Government and Housing Act 1989 requires this income and expenditure to be ring-fenced. The HRA cannot be subsidised by the General Fund. The net outturn in 2008/09 for the HRA was a net deficit of £5.073 million compared with a budgeted contribution from the HRA balance of £2.409 million. The additional deficit was therefore £2.664 million. The balance carried forward into 2009/10 is therefore £4.904 million.

CAPITAL OUTTURN 2008/09

Since the capital programme of £115.174m was approved at Budget Council in February 2008 there have been amendments to the programme which were approved by Cabinet. The amendments relate to new additions, slippage brought forward from 2007/08, slippage carried forward to 2009/10 and allowance made for revenue expenditure funded from capital under statute resulting in the outturn figure of £102.652m. The table below summarises capital expenditure by department :

	2008/09 £000s
Children's Services	7,498
Environment Services	19,339
Housing Revenue Account	72,787
Community Services	1,843
Residents Services	836
Other	349
Total	**102,652**

The financing of the capital expenditure incurred in 2008/09 is summarised in the table below:

	2008/09 £000s
Loans	60,209
Direct Revenue Funding	2,211
Grants and Contributions	34,824
Capital Receipts	5,408
Total	**102,652**

Fixed assets have increased by £4.9 million. Long-term borrowing has increased by £10 million net, in respect of borrowing to fund the capital programme.

GROUP ACCOUNTS

These accounts have not been included in the 2008/09 Statement of Accounts on the grounds that they do not have a material effect on the overall Statements and therefore their inclusion does not provide any more usefulness to readers. The Group accounts in previous years showed the activities of the Council, the Hammersmith and Fulham Bridge Partnership (HFBP) and Hammersmith and Fulham Homes (HFH). It should be noted that the Council still considers HFBP as an Associate and HFH as a Subidiary. Details on the total 2008/09 net assets and profit and loss of both companies (with 2007/08 comparators) can be found in Note 37 (Interests in Companies) to the main financial statements, along with contact details for the procurement of the full accounts of both Companies.

PENSION LIABILITY

In accordance with FRS 17 a total liability of £301.123 million has been included in the 2008/09 Balance Sheet. Adjustments to FRS 17 have led to a restatement of the 2007/08 total liability from £287.463million to £290.988 million.

The 2008/09 total liability consists of the funded liabilities of £294.372million relating to the Hammersmith and Fulham Pension Fund and £6.751 million relating to the London Pensions Fund Authority Pensions Fund.

COLLECTION FUND

The Council has reported a deficit of £0.512 million for 2008/09. This deficit will be taken into account in the council tax setting process for 2010/11. Only the Council's share of this balance is treated as a Council reserve.

CURRENT BORROWING AND CAPITAL RESOURCES

The borrowings disclosed in Note 30 to the Core Financial Statements relate to the financing of capital expenditure incurred in 2008/09 and earlier years. All of the Council's borrowing (£398.520 million) has been borrowed from the Public Works Loans Board. This figure differs from the figure reported in the Balance Sheet because of the new accounting arrangements for financial assets and liabilities mentioned in the Introduction and explained in more detail in the Statement of Accounting Policies. This means that Balance Sheet figure includes the balances of premiums and discounts yet to be written down to revenue plus accrued interest due.

Future capital expenditure will be financed from borrowing, in accordance with the Council's treasury management strategy, revenue contributions, sales of fixed assets, capital grants and contributions and relevant funds within earmarked reserves.

OUTLOOK

The Local Government Finance Settlement for 2009/10 contained an increase, against the comparable 2008/09 allocation, in grant for Hammersmith and Fulham of 1.75%. This was significantly less than the national increase of 2.8%, and below the London average increase of 2.1%.

The Council has been notified of the probable grant increase for 2010/11. The expected increase is 1.5%. This increase continues to be below the national average increase and potentially represents a real terms cut in resourcing, after allowance for inflation. Beyond 2010/11 a new three year Local Government Finance Settlement is due. A fiscal tightening is expected with little, if any, prospect of real terms funding growth.

In February 2009, Hammersmith and Fulham delivered a third successive council tax reduction of 3%. It is the only authority in the country to have lowered council tax for three years running. At the same time the Council set out its strategy to repeat this reduction in 2010/11.

The Council recognises that this strategy is challenging given that it continues to operate in a tight financial climate, and within the context that, each year, public expectations for services exceed resources available.

The Council has embedded the Medium Term Financial Strategy (MTFS) within its business planning framework. MTFS will continue to be the vehicle for allocating resources to the Council's priorities, driving through efficiency savings and monitoring their delivery. It provides the Council with a robust 3-year financial plan and a forum for challenging budget and service proposals, identifying and developing savings and efficiencies; and dealing with significant financial risks.

Since 2003, Hammersmith and Fulham has used the MTFS to move from a short-term budgeting process to a robust 3-year medium term financial plan. Consequently, the Council identifies challenges and opportunities in advance, rather than reacting to them.

Jane West

Jane West
Director of Finance and Corporate Services
22nd September 2009

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs; for this Council, that officer is the Director of Finance and Corporate Services,
- manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets, and
- approve the Statement of Accounts.

Responsibilities of the Director of Finance and Corporate Services

The Director of Finance and Corporate Services is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA Code of Practice on Local Authority Accounting in Great Britain ("the Code of Practice"), elsewhere referred to as the "SORP".

In preparing this Statement of Accounts, the Director of Finance and Corporate Services has

- selected suitable accounting policies and applied them consistently,
- made judgements and estimates that were reasonable and prudent, and
- complied with the Code of Practice.

The Director of Finance and Corporate Services has also

- kept proper accounting records which were up to date, and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

CERTIFICATE OF THE DIRECTOR OF FINANCE AND CORPORATE SERVICES

I certify that the Accounts set out on pages 23 to 86 present fairly the financial position of the London Borough of Hammersmith and Fulham as at 31 March 2009 and its income and expenditure for the year then ended and that the Accounts set out on pages 87 to 99 present fairly the net assets of the London Borough of Hammersmith and Fulham Pension Fund as at 31 March 2009 and its income and expenditure for the financial year 2008/09.

Jane West
Director of Finance and Corporate Services
22nd September 2009

STATEMENT OF ACCOUNTING POLICIES

1. GENERAL PRINCIPLES

The 2008/09 Statement of Accounts provides financial information based on the activities of the Council throughout the financial year and reflects the position at the year-end. The Council's accounts have been prepared in accordance with the 2008 Code of Practice on Local Authority Accounting (SORP), Statements of Standard Accounting Practice (SSAPs), and Financial Reporting Standards (FRS), relevant to local authorities. If exceptions occur these are noted at the appropriate place in the Statement of Accounts.

The basic accounting convention adopted is to express values at historic cost, but modified by the revaluation of certain tangible fixed assets.

2. BASIS ON WHICH DEBTORS AND CREDITORS ARE INCLUDED IN THE ACCOUNTS

The revenue accounts of the Council are maintained on an accruals basis in accordance with the SORP and FRS 18. This means that sums due to or from the Council during the year are included in the accounts whether or not the cash has actually been paid or received in the year.

Revenue transactions are included as income and expenditure in the year of account. Accounts are kept on a receipts and payments basis and, at the year end, are adjusted in respect of amounts receivable or payable, where the actual transactions had not been completed at the year end, by the inclusion of debtors and creditors. Where the exact amount of a debtor or creditor was not known at the time of closing the accounts then an estimated amount has been used. Amounts for debtors in the Balance Sheet are impaired for doubtful debts and known uncollectible debts are written off. Bad debt provisions have been reviewed during 2008/09 in light of the current economic climate and in some specific cases have been increased by 2.5%. Only individual amounts over £2,500 have been considered unless there are exceptional circumstances where a lower amount has a material effect. Details of debtors and creditors are provided in Notes 26 and 28 of the Core Financial Statements.

3. RETIREMENT BENEFITS

Local authorities have a commitment to fund the cost of pensions provided to their employees. The full cost of pensions to the Council is the cost of present and future benefits payable. The SORP requires the full recognition of Retirement Benefits earned to be accounted for in accordance with FRS 17. The SORP 2008 has been updated to reflect recent amendments to FRS17. This requires the recognition of the net asset or liability and the inclusion of a Pensions Reserve in the Balance Sheet and entries in the Income and Expenditure Account to reflect movements in the asset or liability. More details are provided in Note 6 to the Core Financial Statements.

The employees of the Council participate in two defined benefits schemes under provisions of the Local Government Pension Scheme. The two schemes are the London Borough of Hammersmith and Fulham (LBHF) Pension Fund, for which the Council acts as the Administering Authority, and the London Pensions Fund Authority (LPFA) Pension Fund, which is administered by the London Pensions Fund Authority. The net assets and liabilities of both Pension Funds are shown separately on the Balance Sheet.

In addition, the Council participates in a defined benefits scheme for teachers, which is administered by Capita Teachers' Pensions on behalf of the Department for Children, Schools and Families. The arrangements for the teachers' scheme are such that liabilities for benefits cannot be identified to the Council. The scheme is therefore accounted for as if it were a defined contribution schemes, by recognising the contributions payable for the year and not accruing any underlying pensions' asset or liability. Only the costs of employer's contributions are therefore recognised in the accounts.

The Local Government Pension Scheme is accounted for as follows:

- The liabilities of the Funds attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – an assessment of the future payments that will be made in relation to the retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, and projections of future earnings for current employees.

- Liabilities have been discounted to their value at current prices using a discount rate (6.8% in 2008/09) based on the indicative rate of return on a high quality corporate bond of equivalent currency and term to the liabilities.

- The assets of the Funds attributable to the Council are included in the Balance Sheet at their fair value:

  - Quoted securities – bid price
  - Unquoted securities – professional estimate,
  - Unitised securities – the average of bid and offer rates, and
  - Property – market value.

- The change in the net Pensions Liability is analysed into seven components:

  - Current Service Cost, representing the increase in liabilities as a result of the years of service earned in 2008/09, has been charged in the Income and Expenditure Account to the service revenue accounts for which the employees worked.
  - Past Service Cost, representing the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years, has been included in Non Distributed Costs in the Income and Expenditure Account.
  - Interest Cost, representing the expected increase in the present value of liabilities during 2008/09 as employees move one year closer to being paid their earned benefits, has been charged to Net Operating Expenditure in the Income and Expenditure Account.
  - Expected Return on Assets, representing the annual investment return on Funds' assets attributable to the Council based on an average of the expected long term return, has been credited to Net Operating Expenditure in the Income and Expenditure Account.
  - Gains/Losses on Settlements and Curtailments, comprising the result of actions to relieve the Council of liabilities and events that reduce the expected future service or accrual of benefits of employees, have been included in Non Distributed Costs in the Income and Expenditure Account.
  - Actuarial Gains/Losses, representing changes in the net Pensions Liability arising because events have not coincided with the assumptions made at the last actuarial valuation or because the actuaries have updated their

assumptions, have been entered in the Statement of Total Recognised Gains and Losses.
- Contributions paid to the Funds, representing the cash paid by LBHF employers' into the Funds.

Statutory provisions limit the Council to raising council tax to cover only the amounts payable by the Council to the Pension Funds in the year. This means that in the Statement of Movement on the General Fund Balance there are appropriations to and from the Pensions Reserves to remove the notional debits and credits for retirement benefits leaving only the cash payable to the Pension Funds.

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of such awards to any employees (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

4. RESERVES

The Council has set aside money to cover future known or anticipated liabilities and each reserve is clearly identified as to its purpose and usage. The Notes to the Core Financial Statements identify Earmarked Reserves (Note 34), Capital Accounts and Balances (Note 35) and Revenue Reserves and Balances (Note 36).

Amounts set aside for purposes outside the definition of provisions, which are defined in Note 6 of this Statement, are classified as reserves. Transfers to and from reserves are distinguished from service expenditure disclosed in the Statement of Accounts. Reserves include earmarked reserves set aside for specific policy purposes and balances that represent resources set aside for purposes such as general contingencies and cash flow management. Where expenditure is to be financed from a revenue reserve is incurred, it is charged to the appropriate service revenue account and therefore included in the Council's Net Cost of Services in the Income and Expenditure Account. A matching appropriation from the reserve is then included in the Statement of Movement on the General Fund Balance.

The General Fund reserves are used to meet revenue expenditure that does not relate to the Housing Revenue Account (HRA). The HRA Reserve may only be applied to fund expenditure relating to that account. The HRA is also required to maintain a Major Repairs Reserve, which represents the balance of the HRA Major Repairs Allowance not used to fund major repairs to housing stock during the year.

Certain reserves are kept to manage the accounting processes for tangible fixed assets, eg the Revaluation Reserve, and retirement benefits, e.g. the Pensions Reserve, and do not represent useable resources for the Council.

5. TREATMENT OF CAPITAL EXPENDITURE IN THE ACCOUNTS

All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis. In this context, enhancement means the carrying out of works to a fixed asset which are intended to increase substantially the life, value or use of the asset. This excludes expenditure on routine repairs and maintenance of fixed assets, which is charged direct to service revenue accounts. Details of additions to Fixed Assets are contained in Note 22.

A capital scheme not completed in the year and for which there is more expected expenditure is classified as an Asset Under Construction (AUC). When an AUC from a previous year has been completed, it has been re-classified as an appropriate category of fixed asset at cost in the year of completion. In cases where the total cost of the scheme is £750,000 or more, the asset will be re-valued in the financial year following completion. Otherwise, capital expenditure on new schemes has been added to fixed assets at cost on completion and will be carried at cost in the Balance Sheet until they are programmed to be re-valued under the five-year revaluation cycle.

The debtors/creditors materiality threshold for capital expenditure has been set at £10,000.

All expenditure on Housing Revenue Account (HRA) stock has been the subject of an impairment review to ensure that the cost of any enhancement work equates to an increase in the value of the stock. All dwellings are re-valued on 1st April of each financial year.

6. PROVISIONS

Provisions are required, in accordance with FRS 12 to be set aside for known, certain or likely obligations arising from past events which are expected to result in future expenditure that can be reliably estimated but where the timing of the transfer of economic benefit is uncertain although the prospective liability can be reliably estimated.

Provisions are charged to the appropriate revenue account when identified and included in the Balance Sheet. Any payments made in respect of the identified obligation are subsequently charged directly to that provision. Any unused provision is credited back to the appropriate revenue account. Provisions are covered in Note 31 to the Core Financial Statements.

7. CONTINGENT LIABILITIES & ASSETS

Contingent liabilities and assets have been disclosed in Note 38 to the Core Financial Statements if the sums involved are likely to be material. Where the risk of the contingent liability materialising is high, or where the financial consequences could be very significant, a specific sum may be set aside in the accounts as a provision.

8. STOCK AND WORK IN PROGRESS

Stock and work in progress is included in the Balance Sheet at a valuation which is the lower of cost or net realisable value. Work in progress has only been included if considered material to the accounts (£2,500+) or where a lower amount is material to the accounts.

9. INTANGIBLE FIXED ASSETS

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council (such as software development, software licences) is capitalised at cost when it is clear that it will bring benefits to the Council for more than one financial year. The balance is amortised to the relevant service revenue accounts over the economic life of the investment, usually 4 years but ranging between 3 to 10 years, to reflect the pattern of consumption of benefits. The SORP does not require revaluations, and such would normally only be required where there is a readily ascertainable market value. More detail on intangible fixed assets is to be found in Note 22 to the Core Financial Statements

10. TANGIBLE FIXED ASSETS

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

Expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefits to the Council, and the services that it provides, for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of assets, such as repairs and maintenance, has been charged to service revenue accounts.

Fixed Assets are initially included in the accounts at cost, comprising all the expenditure that is directly attributable to bringing the asset into working condition for its intended use. Subsequently, fixed assets have been valued on the basis recommended by the Chartered Institute of Public Finance and Accountancy and in accordance with the Statement of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors. The valuations have been carried out by Valuation Contractors under instructions from Mr M. Hooton, FRICS, the Council’s Interim Head of Valuation and Property Services.

Fixed assets, other than those included in the Housing Revenue Account (HRA), are re-valued on a five year rolling programme, by department.

The Authority has considered the impact of the current economic climate on its asset values and an impairment review has been carried out. Evidence suggested that the authority's housing stock was the asset type most affected by the current circumstances. In liaison with Valuation and Property Services, it was felt that an impairment of 3-6% was required depending on dwelling type. The majority of this impairment was written off against the balance on the revaluation reserve with the remaining amount charged to the income and expenditure account. However this is not a charge against council tax as a corresponding entry is made against the Capital Adjustment Account. In respect of other asset types, a sample of assets were valued as part of the Council's annual rolling programme and it was felt that further impairments were not necessary.

The HRA stock has been valued in 2008/09 using, as usual, the Beacon approach. The value of HRA stock disposals is shown in the Note 22 to the Core Financial Statements which shows the movement in assets between 1st April 2008 and 31st March 2009 under the heading “disposals”. They are recorded at the net realisable value in existing use – social housing value.

The basis for the valuation of all types of assets is shown below:

- Buildings (other than schools used for operational purposes) have valuations which take into account market values and the present use of these assets.
- Schools are valued on the basis of depreciated replacement cost as it has not been possible to establish a comparable market value for this type of property.
- Buildings held for investment or non-operational purposes and assets surplus to requirements have been valued at open market value.
- Roads and other infrastructure have been valued at historic cost.
- Vehicles, moveable plant and equipment have been valued at historic cost.
- Community and donated assets are valued at historic cost where appropriate; otherwise they are included at a nominal value.

Assets included in the Balance Sheet at current value are re-valued where there have been material changes to the value, but as a minimum, every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains can be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

The Revaluation Reserve contains only gains recognised since 1 April 2008, the date of its formal implementation. Gains arising before that date have been consolidated together with other accounting balances into the Capital Adjustment Account.

11 DEPRECIATION AND IMPAIRMENT

Depreciation is charged to service revenue accounts to reflect the cost of using assets to provide services. Depreciation is based upon opening Balance Sheet asset values, excluding land, and is provided for on the basis of the determined finite life of the asset. The estimated life is determined at the time of acquisition or when the asset has been re-valued. Assets are depreciated from the year after their acquisition or completion, and are depreciated in the year of disposal. Depreciation is calculated on a straight line basis with no residual value.

The following depreciation treatment has been adopted for the various categories of assets; the useful lives stated below cover the majority of assets in each category:

- All Buildings (including Council Dwellings), excluding land, are depreciated over periods ranging from 40 to 75 years.
- Vehicles and moveable plant are depreciated over periods ranging from 3 to 25 years.
- Infrastructure is depreciated over periods ranging from 5 to 40 years.
- Community Assets are generally depreciated over a 10 to 20 year period.
- Non-Operational Assets (Assets under Construction, Surplus Assets and Investment Properties) are not depreciated, as they are not being used for the provision of Council services.

Where an asset has major components with different estimated useful lives, these are depreciated separately.

Revaluation gains are also depreciated by an amount equal to the difference between the current value depreciation charged on assets and the depreciation that would have been chargeable based on their historic cost. This amount is transferred from the Revaluation Reserve to the Capital Adjustment Account.

Any reduction in asset values resulting from impairment has been accounted for in accordance with FRS11. All assets are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review it is accounted for as follows:

- If the impairment is attributable to the clear consumption of economic benefits it is charged to the relevant service revenue account.
- Otherwise, it is written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

Where an impairment loss is charged to the Income and Expenditure Account but there are accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to that value has been transferred from the Revaluation Reserve to the Capital Adjustment Account.

12. DISPOSALS OF FIXED ASSETS

Where an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the Gain/Loss on Disposal of Assets. However, this is not a charge against council tax as a corresponding amount has been appropriated to the Capital Adjustment Account from the Statement of Movement on the General Fund Balance.

Capital receipts arising from the disposal of assets are credited to the Income and Expenditure Account on an accruals basis. The difference between the value of the capital receipt and the balance sheet carrying value written off to the Income and Expenditure Account is then reported as a gain or loss on the disposal of assets. Any associated revaluation gains in the Valuation Reserve are transferred to the Capital Adjustment Account. Only amounts in excess of £10,000 are categorised as capital receipts; lower amounts received in respect of asset disposals are credited to the service revenue accounts.

The proceeds arising from the sale of HRA assets are split between pooled and useable receipts. Pooled receipts (75% for dwellings and 50% for land and other assets net of allowable deductions) are transferred to central government.

All capital receipts from the disposal of General Fund assets, which are retained by the Council, together with useable housing receipt, are credited to a Useable Capital Receipts Reserve and used to finance new capital investment. Receipts are appropriated to the Reserve from the Statement of Movement on the General Fund Balance.

13. GOVERNMENT GRANTS AND CONTRIBUTIONS DEFERRED

Where the acquisition of a fixed asset is financed either wholly or in part by a government grant or other contribution, the amount of grant or contribution is credited to the Government Grants Deferred Account and written off to relevant service revenue account over the useful life of the asset, thereby offsetting the corresponding depreciation charge.

14. CHARGES TO REVENUE FOR FIXED ASSETS

Service revenue accounts, support services and trading accounts are debited with the following to reflect the real cost of holding fixed assets during the year:

- Depreciation attributable to the tangible fixed assets used during the year,
- Impairment attributable to the clear consumption of economic benefits on tangible fixed assets used where there are no accumulated gains in the Revaluation Reserve against which it can be written off,
- Amortisation of intangible fixed assets used.

The Council is not required to raise council tax to cover depreciation, impairment or amortisation. However it is required to make an annual provision from revenue (the Minimum Revenue Provision) to contribute towards the reduction in its overall borrowing requirement, generally equal to 4% of its adjusted Capital Financing Requirement, excluding amounts attributable to Housing Revenue Account activity. Depreciation, impairment and amortisation are therefore replaced in the Statement of Movement on the General Fund Balance by the Minimum Revenue Provision with the overall difference taken to the Capital Adjustment Account.

15. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Prior to the 2008 SORP, English authorities used deferred charges to recognise capital expenditure incurred by the Council, which did not result in, or remain matched with, fixed assets owned or controlled by the Council, for example improvement grants which enhance non-Council housing properties. The 2008 SORP effectively replaced deferred charges with a new category of expenditure - Revenue Expenditure Funded From Capital Under Statute.

This expenditure has been written off to the appropriate service revenue account in the year in which it has been incurred. Where the Council has determined to meet the cost of deferred charges from mainstream capital resources, the charges to the service revenue accounts are reversed in the Statement of Movement on the General Fund Balance and transferred to the Capital Adjustment Account so that there is no impact on the level of council tax. Where such expenditure is funded from capital grants or contributions, this income (or the proportion of them that relates to the expenditure) is recognised as revenue grants and held within the appropriate service revenue account. Once again, there is no impact on the level of council tax.

16. FINANCIAL LIABILITIES

Financial liabilities are initially measured at fair value and carried in the Balance Sheet at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability multiplied by the effective rate of interest for the financial instrument. For almost all of the Council's borrowings, this means that the amount presented in the Balance Sheet is the outstanding principal payable and the interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreements.

Gains and losses on the repurchase or early settlement of borrowing are accounted for in the Income and Expenditure Account in the accounting year during which the repurchase or early settlement is made. However, where the repurchase of the borrowing was part of a refinancing or restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write down to the Income and Expenditure Account has been spread over the life of the replacement borrowing by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Income and Expenditure Account, Capital Finance Regulations allow the impact on the General Fund Balance to be spread over future years. The Council's policy is to spread the gain or loss over the term that was remaining on the loan against which the premium was payable or the discount was receivable when the loan was repaid. The reconciliation of amounts charged to the Income and Expenditure Account to the net charge against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance.

The Council has been assisted by Sector Treasury Management Services Ltd in the review of its accounting for financial liabilities and assets.

17. FINANCIAL ASSETS

Financial assets are classified into two types; investments and receivables, which are assets that have fixed or determinable payments but are not quoted in an active market, and available for sale assets, which are assets that have a quoted market and/or do not have fixed or determinable payments.

Investments and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For all of the investments that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and that the interest credited to the Income and Expenditure Account is the amount receivable for the year under the investment agreement. The Council has no available for sale financial assets.

The Council made a contribution, several years ago, of £100,000 to the Greater London Enterprise Board repayable only from the yield of its assets on the winding up of the company. This is classified in the Council's Balance Sheet as a Long Term Investment and, in the light of the SORP 2008 provisions on accounting for financial assets, constitutes a "soft loan". When "soft" loans are made, a loss should be recorded in the Income and Expenditure Account for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest would then be credited at a higher effective rate of interest than the rate receivable from GLEB (which is nil), with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year. The reconciliation of amounts debited and credited to the Income and Expenditure Account to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance. However, given that, the GLE is effectively established to continue its business in perpetuity and thus no timescale can be identified as a basis for the calculation of an effective interest rate; that there is ample asset cover in the GLE's 2008 accounts to cover this "loan"; and that the interest foregone is not material to the Council, the Council has decided to use the de minimis provisions of the SORP not to account for this as a "soft" loan.

If any financial assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset would be written down and a charge made to the Income and Expenditure Account.

Any gains/losses that arise on the de-recognition of the asset would be credited/debited to the Income and Expenditure Account.

18. OVERHEADS AND SUPPORT SERVICES

Charges or apportionments covering all support service costs are made on a total absorption costing basis to all who benefit from that supply or service, including; services to the public, divisions of services, trading undertakings, direct service organisations, the Housing Revenue Account, capital accounts, services provided for other bodies and other support services. The costs of service management are in the same way apportioned to the accounts representing the activities managed. The basis of apportionment adopted is consistent for all the cost centres to which apportionments have been made, and is in line with guidance in the Best Value Accounting Code of Practice (BVACOP) 2008 published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The cost of service strategy and regulation of any service to the public is allocated to a separate objective expenditure head within the revenue account of that service.

The costs of the Corporate and Democratic Core (relating to the Council's status as a multi functional democratic organisation) and of un-apportionable central overheads (Non Distributed Costs) are allocated to separate objective expenditure heads in both the General Fund and the Housing Revenue Account and have not been apportioned to other expenditure heads.

19. LEASES

The Council accounts for leases as finance leases when substantially all the risks and rewards relating to the leased property transfer to the Council. It has acquired equipment, buildings and vehicles through finance leases. Finance Leases should be treated as follows in the accounts:

- A charge for the acquisition of the interest in the property recognised as a Deferred Liability matched by a Tangible Fixed Asset in the Balance Sheet. Both are written down as this element of the rental becomes payable.
- A finance charge that is debited to Net Operating Expenditure in the Income and Expenditure Account.

Fixed assets recognised under finance leases are accounted for using the accounting policies generally applicable to Tangible Fixed Assets, subject to depreciation being charged over the lease term rather than the estimated life of the asset.

Leases that do not meet the definition of finance leases are accounted for as operating leases. The Council also has various capital assets, under operating leases. These assets are not included in the Council's Balance Sheet because the Council does not own the assets acquired under such leases. Rental charges are made to service revenue accounts on a straight line basis over the term of these leases, even if the payments are not made on such a basis.

Where the Council acts as a lessor the leases involved are invariably operating leases. The relevant assets are accounted for in accordance with accounting policies set out in Note 10 of this Statement and the rental income accounted for on the normal accruals basis.

Note 11 to the Core Financial Statements summarises out the total leasing charges included in the 2008/09 accounts. An exercise has been undertaken in 2008/09 to review leases across the Council, to ensure they are fully captured and reflected in the note.

20. GOVERNMENT GRANTS

Whatever their basis of payment, revenue specific grants, third party contributions and donations are matched with the expenditure to which they relate in the service revenue accounts.

Grants received to finance the general activities of the Council or to compensate for a loss of income are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure in the period in which they are payable.

Government grants are accounted for on an accruals basis and are recognised in the accounting statements when the conditions for their receipt have been complied with and there is reasonable assurance that the grant will be received.

21. VALUE ADDED TAX

Value Added Tax is only included in the Income and Expenditure Account where it is irrecoverable.

22. INTERESTS IN COMPANIES AND OTHER ENTITIES

The Council is required to prepare group accounts if it has interests in subsidiaries, associates and joint ventures. There are a number of criteria by which the Council must determine whether the value of the entity and the Council's interest is significant enough for group accounts to be produced.

After consideration of these criteria, the Council has determined that a full set of Group Accounts should not be produced for 2008/09 as their inclusion does not make a material difference to the usefulness of the Statement of Accounts to readers. Companies in which the Council has an interest are detailed in Note 37 to the Core Financial Statements. This includes details on Hammersmith & Fulham Homes (HFH) and Hammersmith & Fulham Bridge Partnership (HFBP) which in previous years have been included in Group Accounts. It should be noted that the Council still considers HFBP as an Associate and HFH as a subsidiary.

23. PRIVATE FINANCE INITIATIVE

In 2003/04 the Council entered into a 25 year Private Finance Initiative (PFI) to provide new services for vulnerable older people in the borough. The PFI has created new nursing homes, sheltered accommodation and a day care centre. PFI contracts are agreements to receive services, where the responsibility for making available the fixed assets needed to provide the services are held by the PFI contractor. Payments made by the Council under the contract are charged to the relevant service revenue account to reflect the value of the services received in each financial year.

FRS 5 and Application Note F provides the detailed factors to be taken into account when determining the treatment of the assets of the project, and whether they should be reflected on the Balance Sheet of the purchaser or the contractor. An assessment of the project's risks and rewards and the substance of the transaction have been carried out in accordance with FRS 5. As a result, the PFI project is not included on the Council's Balance Sheet. Brief financial details of the Council's PFI are contained in Note 2 to the Core Financial Statements.

From 2009/10, CIPFA have proposed that PFI schemes will to be accounted for in a manner that is consistent with International Financial Reporting Interpretations Committee note (IFRIC) 12 – Service Concession Arrangements. This will assist in the Local Government transition to International Financial Reporting Standards (IFRS) for 2010/11. IFRIC 12 is the interpretation of IFRS that applies to operators of PFI contracts, and is expected to form part of UK GAAP in due course. The 2009 SORP will be consistent with the accounting treatment required of other public sector bodies in the UK set out in the government's Financial Reporting Manual and approved by the Financial Reporting Advisory Board.

Under the draft 2009 SORP guidance, it is expected that the Council's PFI arrangement will be recognised on the Council's Balance Sheet. The new IFRIC 12 consistent approach to accounting for the PFI introduced by the 2009 SORP will also require prior period adjustment and restatement of the 2008/09 corresponding amounts in accordance with the provisions of the SORP.

CORE FINANCIAL STATEMENTS

INCOME AND EXPENDITURE ACCOUNT

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

BALANCE SHEET

CASH FLOW STATEMENT

INCOME AND EXPENDITURE ACCOUNT

		2007/08 (restated)	2008/09		
	Note	Net Expenditure £000s	Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s
Central Services to the Public		3,401	28,943	(27,593)	1,350
Court Services		128	953	(793)	160
Cultural, Environmental and Planning Services		36,774	62,166	(24,391)	37,775
Children's and Education Services		49,357	212,127	(151,838)	60,289
Highways and Transport Services		3,267	31,253	(31,892)	(639)
Housing Services					
Housing General Fund		13,276	153,396	(139,507)	13,889
Housing Revenue Account		(17,919)	68,305	(79,635)	(11,330)
Adult Social Care		54,567	103,610	(39,740)	63,870
Non Distributed Costs		5,944	7,213	(2,840)	4,373
Corporate and Democratic Core		9,523	9,000	(764)	8,236
Net Cost of Services		**158,318**	**676,966**	**(498,993)**	**177,973**
(Gain)/Loss on Disposal of Fixed Assets		(13,693)		(7,745)	(7,745)
Levies	4	7,109	8,613		8,613
(Surpluses)/Deficits on Trading Services	5	(251)	32,350	(32,066)	284
Interest Payable and Similar Charges	21	22,836	24,820		24,820
Amount Payable to Housing Capital Receipts Pool		5,879	1,992		1,992
Interest and Investment Income	21	(5,607)		(4,522)	(4,522)
Other Operating Income		(1,191)		(5,467)	(5,467)
Pensions Interest Cost	6	43,355	48,507		48,507
Expected Return on Pensions Assets	6	(29,467)		(28,955)	(28,955)
Net Operating Expenditure		**187,288**	**793,248**	**(577,748)**	**215,500**
Demand on the Collection Fund		(69,603)		(69,352)	(69,352)
Revenue Support Grant		(15,891)		(14,315)	(14,315)
General Govt Grants (Other)				(2,417)	(2,417)
Area Based Grant	23			(10,659)	(10,659)
Contribution from NNDR Pool		(94,688)		(102,834)	(102,834)
(Surplus)/Deficit for the Year		**7,106**	**793,248**	**(777,325)**	**15,923**

STATEMENT OF MOVEMENT ON GENERAL FUND BALANCE

	Note	2007/08 (restated) £000s	2008/09 £000s
(Surplus)/Deficit for year on the Income and Expenditure Account		**7,106**	**15,923**
Net additional amount required by Statute and Non-statutory Proper Practices to be debited or credited to the General Fund Balance for the year	7	(9,932)	(16,648)
(Increase)/Decrease in General Fund Balance for year		(2,826)	(725)
General Fund Balance brought forward		(22,852)	(25,678)
General Fund Balance carried forward		**(25,678)**	**(26,403)**
Amount of General Fund Balance held by Governors under Schemes to finance Schools	36	(11,520)	(11,572)
Amount of General Fund Balance generally available for new expenditure	36	(14,158)	(14,831)
General Fund Balance carried forward		**(25,678)**	**(26,403)**

The Income and Expenditure Account summarises the resources that have been generated and consumed in providing services and managing the Council during the year. It includes all day to day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

However, the authority is required to raise council tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather when fixed assets are consumed.
- The payment of a share of housing capital receipts to the Government scores as a loss in the Income and Expenditure Account, but is met from the useable capital receipts balance rather than council tax.
- Retirement benefits are charged as amounts become payable to Pension Funds and pensioners, rather than as future benefits are earned.

The above reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance. Further detail is contained in Note 7 to the Core Financial Statements.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2007/08 (restated)	2008/09
	£000s	£000s
Deficit for year on the Income and Expenditure Account	**7,106**	**15,923**
Other Capital Transactions	247	0
(Surplus)/Deficit on the Revaluation of Fixed Assets	(153,189)	54,021
Actuarial (Gains)/Losses on Pension Fund Assets and Liabilities	(103,938)	(4,970)
(Surplus)/Deficit on LBHF proportion of Collection Fund (Note 36	666	2,087
Sub - total	**(249,108)**	**67,061**
Prior Year Adjustment relating to the re-measurement of	6,001	0
financial instruments at 1 April 2007		
Total Recognised (Gains)/Losses for the year	**(243,107)**	**67,061**

This Statement brings together all the gains and losses of the Council for the year and shows the aggregate reduction in its net worth. In addition to the deficit generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

BALANCE SHEET

	Note	At 31 March 2008 (restated)		At 31 March 2009	
		£000s	£000s	£000s	£000s
Fixed Assets					
Intangible Fixed Assets	22	710		744	
Tangible Fixed Assets:-	22				
Operational Assets		1,840,635		1,849,274	
Non Operational Assets		59,657		55,878	
Total Fixed Assets			**1,901,002**		**1,905,896**
Long term Investments		360		1,619	
Long Term Debtors	24	955		814	
Total Long-Term Assets			**1,902,317**		**1,908,329**
Current Assets					
Stock and Work in Progress	25	245		279	
Debtors	26	50,199		77,965	
Short Term Investments	29	113,373		77,452	
Cash in Hand	27	12,584		13,864	
Total Current Assets			**176,401**		**169,560**
Total Assets			**2,078,718**		**2,077,889**
Current Liabilities					
Creditors	28	(115,510)		(125,193)	
Short Term Borrowing					
Cash Balances Overdrawn	27	(11,816)		(30,750)	
Total Current Liabilities			**(127,326)**		**(155,943)**
Total Assets less Current Liabilities			**1,951,392**		**1,921,946**
Long Term Liabilities					
Long Term Borrowing	29	(392,027)		(402,903)	
Long term Creditor		(100)		(2,293)	
Provisions	31	(5,203)		(5,193)	
Deferred Liabilities	32	(260)		(112)	
Government Grants and Contributions Deferred		(77,533)		(92,102)	
Pensions Liability - LBHF	6(i) & 1	(286,955)		(294,372)	
Pensions Liability - LPFA	6(ii) & 1	(4,033)		(6,751)	
Total Long Term Liabilities			**(766,111)**		**(803,726)**
Total Assets less Liabilities			**1,185,281**		**1,118,220**
Financed by:					
Capital Adjustment Account	35	(1,237,096)		(1,247,373)	
Financial Instruments Adjustment Account	35	3,479		2,807	
Revaluation Reserve	35	(141,825)		(74,361)	
Capital Reserves	35	(3,050)		(5,380)	
Deferred Credits	33	(510)		(375)	
Pensions Reserve - LBHF	6(i) & 1	286,955		294,372	
Pensions Reserve - LPFA	6(ii) & 1	4,033		6,751	
Major Repairs Reserve		(30,862)		(30,673)	
Earmarked Reserves	34	(29,036)		(33,053)	
Revenue Balances	36	(37,369)		(30,935)	
Total Net Worth			**(1,185,281)**		**(1,118,220)**

CASH FLOW STATEMENT

	2007/08		2008/09	
	£000s	£000s	£000s	£000s
Net Cash Inflow from Revenue Activities (Note 42)		**(44,913)**		**(10,128)**
Returns on Investments and Servicing of Finance				
Cash outflows				
Interest Paid	24,457		23,925	
Interest Paid for Finance Leases	27		13	
Cash inflows				
Interest Received	(8,517)		(6,452)	
Net Servicing Costs		**15,967**		**17,486**
Net Cash (inflow)/outflow		**(28,946)**		**7,358**
Capital Activities				
Cash outflows				
Expenditure on Fixed Assets	67,990		102,690	
Other Capital Payments	6,816		0	
Total Cash outflow		**74,806**		**102,690**
Cash inflows				
Sale of fixed assets	(30,022)		(17,503)	
capital grants received	(12,403)		(17,634)	
other capital receipts	(13,215)		(12,940)	
Total Cash inflow		**(55,640)**		**(48,077)**
Acquisitions and Disposals				
Cash outflows				
Investments in associates or joint ventures		**0**		**1,258**
Cash inflows				
Sales of investments in associates or joint ventures		**0**		**0**
Net Cash (inflow)/outflow before Financing (Note 45)		**(9,780)**		**63,229**
Management of Liquid Resources		**20,861**		**(35,700)**
Financing				

Cash outflows				
Repayments of amounts borrowed	41,064		0	
Finance lease repayments	325		125	
Cash inflows				
New loans raised	(51,064)		(10,000)	
Net Cash inflows		**(9,675)**		**(9,875)**
Net (Increase)/Decrease in Cash		**1,406**		**17,654**

NOTES TO THE CORE FINANCIAL STATEMENTS

1. RESTATEMENT OF 2007/08 COMPARATIVE FIGURES

The Balance Sheet; Income & Expenditure account; Statement of Movement on the General Fund balance; Statement of Total Recognised Gains & Losses and Notes 7, 35 and 40 for 2007/08 have all been re-stated in order to meet the requirements of the following changes:

● Adoption by the SORP 2008 of an amendment to FRS17 Retirment Benefits. As a result quoted securities held as assets in the LBHF and LPFA pension schemes are now valued at bid price rather than mid-market value.

● The reclassification of deferred charges as mentioned in Note 15 of the Statement of Accounting Policies (Revenue Expenditure funded from Capital under Statute – REFCUS)

● The treatment of the disposal of fixed assets as mentioned in Note 12 of the Statement of Accounting Policies (Disposal of Fixed Assets).

2007/8 Balance Sheet:

2007/08 Balance Sheet			Restatements		2007/08 Balance Sheet Restated	
			REFCUS	FRS 17 Pension Adjustments		
	£000s		£000s		£000s	
Fixed Assets						
Intangible Fixed Assets	710				710	
Tangible Fixed Assets:-						
Operational Assets	1,840,635				1,840,635	
Non Operational Assets	59,657				59,657	
Total Fixed Assets		**1,901,002**				**1,901,002**
Long term Investments	360				360	
Long Term Debtors	955				955	
Total Long-Term Assets		**1,902,317**				**1,902,317**
Current Assets						
Stock and Work in Progress	245				245	
Debtors	50,199				50,199	
Short Term Investments	113,373				113,373	
Cash in Hand	12,584				12,584	
Total Current Assets		**176,401**				**176,401**
Total Assets		**2,078,718**				**2,078,718**
Current Liabilities						
Creditors	(115,510)				(115,510)	
Short Term Borrowing						
Cash Balances Overdrawn	(11,816)				(11,816)	
Total Current Liabilities		**(127,326)**				**(127,326)**
Total Assets less Current Liabilities		**1,951,392**				**1,951,392**
Long Term Liabilities						
Long Term Borrowing	(392,027)				(392,027)	
Long term Creditor	(100)				(100)	
Provisions	(5,203)				(5,203)	
Deferred Liabilities	(260)				(260)	
Government Grants and Contributions Deferred	(79,440)		1,907		(77,533)	
Pensions Liability - LBHF	(282,980)			(3,975)	(286,955)	

Pensions Liability - LPFA	(4,483)			450	(4,033)	
Total Long Term Liabilities		**(764,493)**				**(766,111)**
Total Assets less Liabilities		**1,186,899**				**1,185,281**
Financed by:						
Capital Adjustment Account	(1,235,189)		(1,907)		(1,237,096)	
Financial Instruments Adjustment Account	3,479				3,479	
Revaluation Reserve	(141,825)				(141,825)	
Capital Reserves	(3,050)				(3,050)	
Deferred Credits	(510)				(510)	
Pensions Reserve - LBHF	282,980			3,975	286,955	
Pensions Reserve - LPFA	4,483			(450)	4,033	
Major Repairs Reserve	(30,862)				(30,862)	
Earmarked Reserves	(29,036)				(29,036)	
Revenue Balances	(37,369)				(37,369)	
Total Net Worth		**(1,186,899)**	**0**	**0**		**(1,185,281)**

2007/8 Income & Expenditure Account

2007/08 I&E		**2007/08 Restatements**		**2007/08 I&E restatement**
		REFCUS	**Disposals**	
	£000s	£000s	£000s	£000s
Central Services to the Public	3,401			3,401
Court Services	128			128
Cultural, Environmental and Planning Services	36,774			36,774
Children's and Education Services	49,673	(316)		49,357
Highways and Transport Services	3,889	(622)		3,267
Housing Services				
Housing General Fund	13,753	(477)		13,276
Housing Revenue Account	(17,919)			(17,919)
Adult Social Care	55,059	(492)		54,567
Non Distributed Costs	5,944			5,944
Corporate and Democratic Core	9,523			9,523
Net Cost of Services	**160,225**			**158,318**
(Gain)/Loss on Disposal of Fixed Assets	578		(14,271)	(13,693)
Levies	7,109			7,109
(Surpluses)/Deficits on Trading Services	(251)			(251)
Interest Payable and Similar Charges	22,836			22,836
Amount Payable to Housing Capital Receipts Pool	5,879			5,879
Interest and Investment Income	(5,607)			(5,607)
Other Operating Income	(1,191)			(1,191)
Pensions Interest Cost	43,355			43,355
Expected Return on Pensions Assets	(29,467)			(29,467)
Net Operating Expenditure	**203,466**			**187,288**
Demand on the Collection Fund	(69,603)			(69,603)
General Government Grants	(15,891)			(15,891)
General Govt Grants (Other)				
Area Based Grant				
Contribution from NNDR Pool	(94,688)			(94,688)
(Surplus)/Deficit for the Year	**23,284**	**(1,907)**	**(14,271)**	**7,106**

2007/8 Statement of Total Recognised Gains and Losses:

	2007/08 STRGL £000s	Disposals & I&E Deficit £000s	FRS 17 Pension Adjustments £000s	2007/08 STRGL restated £000s
Deficit for year on the Income and Expenditure Account	**23,284**	(16,178)		**7,106**
Other Capital Transactions	247			247
(Surplus)/Deficit on the Revaluation of Fixed Assets	(167,460)	14,271		(153,189)
Actuarial (Gains)/Losses on Pension Fund Assets and Liabilities	(107,463)		3,525	(103,938)
(Surplus)/Deficit on LBHF proportion of Collection Fund	666			666
Sub - total	**(250,726)**			**(249,108)**
Prior Year Adjustment relating to the re-measurement of financial instruments at 1 April 2007	6,001			6,001
Total Recognised (Gains)/Losses for the year	**(244,725)**	**(1,907)**	**3,525**	**(243,107)**

2007/8 - Note 40 – Net Assets Employed

	2007/08 £000s	2007/08 restated £000s
General Fund	99,507	96,533
Housing Revenue Account	1,085,678	1,087,034
Collection Fund	1,714	1,714
Total	**1,186,899**	**1,185,281**

2007/8 - Statement of Movement on the General Fund Balance:

	Note	2007/8 (£000s)	2007/8 Restated (£000s)
(Surplus)/Deficit for year on the Income and Expenditure Account		**23,284**	**7106**
Net additional amount required by Statute and Non-statutory Proper Practices to be debited or credited to the General Fund Balance for the year	7	(26,110)	(9,932)
(Increase)/Decrease in General Fund Balance for year		(2,826)	(2,826)
General Fund Balance brought forward		(22,852)	(22,852)
General Fund Balance carried forward		**(25,678)**	**(25,678)**
Amount of General Fund Balance held by Governors under Schemes to finance Schools	36	(11,520)	(11,520)

Amount of General Fund Balance generally available for new			
expenditure		(14,158)	(14,158)
General Fund Balance carried forward		**(25,678)**	**(25,678)**

2007/8 - Note 7 - Note of Reconciling Items for the Statement of Movement on the General Fund Balance:

	2007/08 £000s	Disposals & REFCUS £000s	2007/08 Restated £000s
Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year			
Amortisation of Intangible Fixed Assets	(313)		(313)
Depreciation and Impairment of Fixed Assets	(14,686)		(14,686)
Government Grants Deferred Amortisation	3,657		3,657
Revenue Expenditure Funded from Capital under Statute	(4,121)	1907	(2,214)
Transfer of MRA in respect of HRA Depreciation Adjustment	269		269
Net Gain/(Loss) on Sales of Fixed Assets	(578)	14,271	13,693
Net Charges made for Retirement Benefits in accordance with FRS17	(40,137)		(40,137)
Differences between amounts debited/credited to the Income and Expenditure Account and amounts payable/receivable relating to premiums and discounts on early repayment of debt	2,522		2,522
Sub Total	**(53,387)**		**(37,209)**
Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year			
Minimum Revenue Provision for Capital Financing	3,294		3,294
Capital Expenditure charged in-year to General Fund Balance	3,264		3,264
Transfer from Useable Capital Receipts to meet Payments to the Housing Capital Receipts Pool	(5,879)		(5,879)
Employer's Contributions payable to the LBHF and LPFA Pension Funds and Retirement Benefits payable direct to Pensioners	22,463		22,463
Sub Total	**23,142**		**23,142**
Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year			
Voluntary Repayment of Debt	1,042		1,042
Housing Revenue Account Balance	1,841		1,841
Net Transfer to/(from) Earmarked Reserves	1,252		1,252
Sub Total	**4,135**		**4,135**
Net additional amount required to be credited to the General Fund Balance for the year	**(26,110)**	**16,178**	**(9,932)**

Finally due to the change in treatment of Deferred Government Grants, the opening balance of the Capital Adjustment Account, as stated in Note 35, has changed from £1,235,189 to £1,237,096.

2. PRIVATE FINANCE INITIATIVE

In 2003/04 the Council entered into a 25 year Private Finance Initiative (PFI) to provide new services for vulnerable older people in the borough. The PFI has created new nursing homes, sheltered accommodation and a day care centre.

The total unitary charge for the project was £214.683 million, of which £196.514 million was remaining as at the end of 2008/09. This cost is shared between the Council and the Hammersmith & Fulham Primary Care Trust. In 2008/9 the council's full unitary payment was £6.178 million.

3. DEDICATED SCHOOLS GRANT

The Council's expenditure on Schools is funded by grant monies provided by the Department for Children, Schools and Families, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools budget. The Schools budget includes elements for a restricted range of services provided on an authority-wide basis (Central Expenditure) and for the Individual Schools Budget (ISB), which is divided into a budget share for each school. Over and underspends on the two elements are required to be accounted for separately.

Details of the deployment of DSG receivable for 2008/09 are as follows:

	Schools Budget Funded by DSG		
	Central Expenditure £000s	**Individual Schools Budget £000s**	**Total £000s**
Original Grant Allocation to Schools Budget for 2008/09 in the Council's Budget	(7,545)	(77,244)	(84,789)
Adjustment to Finalised Grant Allocation	0	0	0
DSG receivable for year	**(7,545)**	**(77,244)**	**(84,789)**
Actual Expenditure for the year	7,588	77,149	84,737
Over/(Under spend) for the year	**43**	**(95)**	**(52)**
Planned Top up Funding of ISB from Council resources	0	0	0
Use of School Balances brought forward	0	0	0
Over/Under spend for the year carried forward to 2009/10	**43**	**(95)**	**(52)**

4. COST OF LEVIES

Levies paid by the Council are listed below.

	2007/08 £000s	2008/09 £000s
Environment Agency	142	159
Lee Valley Regional Park	233	241
London Pensions Fund Authority	1,144	1,222
Western Riverside Waste Authority	5,350	6,746
London Councils	7	15
Transport For London - surface transport (traffic signals and lorry ban)	233	230
	7,109	**8,613**

5. TRADING SERVICES

The following Trading Services operated during the year. The table illustrates the surplus or deficit for each service.

	2007/08	2008/09		
Service Type	**(Surplus) / Deficit £000s**	**Expenditure £000s**	**Income £000s**	**(Surplus) / Deficit £000s**
Construction and Property Related Services	(204)	7,913	(7,721)	192
Highways Services	(1,192)	12,362	(13,624)	(1,262)
Building Cleaning	252	1,568	(1,172)	396
Catering	443	5,963	(5,191)	772
Home to School Transport	52	2,767	(2,461)	306
Industrial Estates and Miscellaneous Properties	104	1,039	(1,451)	(412)
Other	294	738	(446)	292
Total: (Surplus)/Deficit	**(251)**	**32,350**	**(32,066)**	**284**

6. PENSION COSTS

As part of the terms and conditions of employment of its officers and other employees, the authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the authority has a commitment to disclose payments that need to be made at the time that employees earn their future entitlement.

The Council participates in three pension schemes:

- The Local Government Pension Scheme for Council employees, administered by Hammersmith and Fulham Council. This is a funded scheme, meaning that the Council and employees pay contributions into a fund calculated at a level intended to balance the pensions' liabilities with investment assets.

- The London Pensions Fund Authority Scheme; this is also a Local Government Pension Scheme. It is a funded scheme, meaning that the Council and employees pay contributions into a fund calculated at a level intended to balance the pensions' liabilities with investment assets.

- Teachers employed by the Council are members of the Teachers' Pensions Scheme, administered by Capita on behalf of the Teachers' Pensions Agency. The Scheme provides teachers with defined benefits upon their retirement, and the authority contributes towards the cost by making payments based on a percentage of members' pensionable salaries.

Change of Accounting Policy

- Under the 2008 SORP the Council has adopted the amendment to FRS 17 Retirement Benefits. As a result quoted securities held as assets in the LBHF and LPFA pension schemes are now valued at bid price rather than mid-market value. The effect of this change is described in the detailed notes that follow.

6 (i) London Borough of Hammersmith and Fulham Pension Fund

As described above the adoption of the amendment to FRS 17 has resulted in changes to the value of the pensions assets brought forward from 2007/08. The effect of the change for the LBHF pension fund is that the value of scheme assets as 31st March 2008 has been restated from £397.46m to £393.485m, a decrease of £3.975m, resulting in an increase of the pension deficit of £3.975m. The effect on the Income & Expenditure Account has been restated in the note below for information but has not been restated in the main statement as the surplus is not affected.

Retirement benefits are recognised in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out as a movement on the pension reserve in the Statement of Movement on the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and the Statement of Movement on the General Fund Balance during the year:

	2007/08 £000s	**2008/09 £000s**
Income and Expenditure Account		
Net Cost of Services		
Current Service Costs	20,400	14,370
Past Service Costs	5,420	1,774
Settlements and Curtailments	0	1,698
Sub total	**25,820**	**17,842**
Net Operating Expenditure		
Interest Cost	41,270	46,068
Expected Return on Assets in the Scheme	(27,960)	(27,417)
Sub total	**39,130**	**36,493**
Movement on Pensions Reserve	(17,130)	(14,369)
Net Charge to the Income and Expenditure Account	**22,000**	**22,124**

In addition to the recognised gains and losses included in the Income & Expenditure Account, actuarial gains of £6.952m (£102.380m 2007/08 as restated) were included in the Statement of Total Recognised Gains and Losses.

Assets and Liabilities in relation to Retirement Benefits

Reconciliation of present value of scheme liabilities:

	2007/08	2008/09
	£000s	£000s
Liabilities in relation to Retirement Benefits at 1st April	**(780,140)**	**(680,440)**
Current Service Cost	(20,400)	(14,370)
Interest Cost	(41,270)	(46,068)
Losses on curtailments	0	(1,698)
Contributions by scheme participants	(5,660)	(5,804)
Actuarial gains and losses	143,320	72,184
Benefits paid	29,130	23,731
Past service costs	(5,420)	(1,774)
Unfunded pension payments	0	2,495
Liabilities in relation to Retirement Benefits at 31st March	**(680,440)**	**(651,744)**
Funded liabilities	(648,480)	(621,740)
Unfunded liabilities	(31,960)	(30,004)

Reconciliation of fair value of the scheme assets:

	As restated 2007/08	2008/09
	£000s	£000s
Fair Value of the scheme assets at 1st April	**407,791**	**393,485**
Expected return on scheme assets	28,084	27,417
Actuarial gains and losses	(40,920)	(65,232)
Contributions by employer	22,000	22,124
Contributions by scheme participants	5,660	5,804
Estimated Benefits paid (net of transfers in)	(29,130)	(26,226)
Fair Value of the scheme assets at 31st March	**393,485**	**357,372**

The expected return on assets is based on the long-term future expected investment return for each asset class at the beginning of the period. The return on gilts and other bonds are assumed to be the gilt yield and corporate bond yield (with an adjustment to reflect default risk) respectively at the relevant date. The return on equities and property is then assumed to be a margin above gilt yields.

The actual return on scheme assets in the year was £37.815m (2007/08 £12.856m)
Scheme history

	2004/05* £000s	2005/06* £000s	2006/07 as restated £000s	2007/08 as restated £000s	2008/09 £000s
Present value of liabilities	(644,070)	(728,390)	(780,140)	(680,440)	(651,744)
Fair value of assets	319,330	387,870	407,791	393,485	357,372
Deficit in the scheme	(324,740)	(340,520)	(372,349)	(286,955)	(294,372)

- The council has elected not to restate fair value of scheme assets for 2004/05 and 2005/06 as permitted by FRS 17 (as revised).
- The liabilities show the underlying commitments that the council has in the long run to pay retirement benefits. The total liability of £294.372m has a substantial impact on the net worth of the council as recorded in the Balance Sheet. However statutory arrangements for funding the deficit mean that the financial position of the council remains healthy as the deficit on the scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.
- The total contributions expected to be made to the pension scheme by the council in the year to 31st March 2010 is £23.12m.

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method; an estimate of pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels etc. The liability has been assessed by Barnett Waddingham an independent firm of actuaries, estimates being based on the latest full valuation of the scheme as at 31st March 2007.

The principal assumptions used in their calculation are summarised in the following table:

Assumptions	2007/08	2008/09
Long term expected rate of return on assets		
Equities	7.7%	7.6%
Gilts	4.7%	4.6%
Bonds	5.3%	6.8%
Property	6.7%	6.6%
Cash	5.6%	6.0%
Mortality assumptions		
Life expectancy from age 65 – retiring today		
Men		20.28
Women		22.37
Life expectancy from age 65 – retiring in 20 years		
Men		21.44
Women		23.15
Financial Assumptions		
Rate of Inflation	3.7	3.0

Rate of Increase in Salaries	5.2	4.5
Rate of Increase in Pensions	3.7	3.0
Discount Rate	6.8	6.7
Take up of option to convert annual pension to retirement lump sum	50%	50%

The assets of the scheme consist of the following categories, by proportion of the total assets held by the Fund:

Assets Held	**31 March 2008** **%**	**31 March 2009** **%**
Equities	71.6	49.9
Gilts	13.6	14.1
Other Bonds	13.3	7.4
Dynamic Asset Allocation	0.0	25.6
Cash	1.5	3.0
	100.0	100.0

History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2008/09 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2009.

	2004/05* **%**	**2005/06*** **%**	**2006/07** **as restated** **%**	**2007/08** **as restated** **%**	**2008/09** **%**
Differences between the expected and actual return on assets	2.2	11.9	(0.96)	(11.3)	(18.3)
Experience gains and losses on liabilities	(1.1)	0.1	(0.22)	0	0

6 (ii) London Pensions Fund Authority Pension Fund

The adoption of the amendment to FRS 17 has resulted in changes to the value of the pensions assets brought forward from 2007/08. The effect of the change for the LPFA pension fund is that the value of scheme assets as 31st March 2008 has been restated from £31.906m to £31.903m, a decrease of £0.003m. The actuary has also made a number of other adjustments to the 2007/08 comparatives which total £0.453m. The scheme liabilities have been restated from £36.389m to £35.936m, a decrease of £0.453m. The net effect is a reduction of £0.450m in the scheme's net deficit. The effect of this in the Income & Expenditure Account has been restated in the next table for information only.

Transactions relating to retirement benefits

Retirement benefits are recognised in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out as a movement on the pension reserve in the Statement of Movement on the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and the Statement of Movement on the General Fund Balance during the year:

	2007/08 (restated)	2008/09
Income and Expenditure Account	**£000s**	**£000s**
Net Cost of Services		
Current Service Costs	425	392
Past Service Costs	0	224
Settlements and Curtailments	167	22
Sub total	**592**	**638**
Net Operating Expenditure		
Interest Cost	2,105	2,439
Expected Return on Assets	(1,491)	(1,538)
Sub total	**1,206**	**1,539**
Movement on Pensions Reserve	(708)	(736)
Net Charge to the Income and Expenditure Account	**498**	**803**

In addition to the recognised gains and losses included in the Income & Expenditure Account, actuarial losses of £1.982m (£5.697m gain 2007/08 as restated) were included in the Statement of Total Recognised Gains and Losses.

Assets and Liabilities in relation to Retirement Benefits

Reconciliation of present value of scheme liabilities:

	as restated 2007/08	2008/09
	£000s	**£000s**
Liabilities in relation to Retirement Benefits at 1st April	**(39,670)**	**(35,936)**
Current Service Cost	(425)	(392)
Interest Cost	(2,105)	(2,439)
Losses on curtailments	(167)	(22)
Contributions by scheme participants	(112)	(130)
Actuarial gains and losses	4,436	2,609
Benefits paid	2,069	1,920
Past service costs	0	(224)
Unfunded pension payments	38	38
Liabilities in relation to Retirement Benefits at 31st March	**(35,936)**	**(34,576)**
Funded liabilities	(35,489)	(34,169)
Unfunded liabilities	(447)	(407)

Reconciliation of fair value of the scheme assets:

	As restated 2007/08	2008/09
	£000s	£000s
Fair Value of the scheme assets at 1st April	**30,648**	**31,903**
Expected return on scheme assets	1,491	1,538
Actuarial gains and losses	1,261	(4,591)
Contributions by employer	498	803
Contributions by scheme participants	112	130
Estimated Benefits paid (net of transfers in)	(2,107)	(1,958)
Fair Value of the scheme assets at 31st March	**31,903**	**27,825**

The expected return on assets is based on the long-term future expected investment return for each asset class at the beginning of the period. The figures are based on recommended return assumptions derived from the HRAM model developed and maintained by Hymans Robertson LLP. The HRAM model for equity returns is based on total returns which are specified by a risk premium relative to cash.

The actual return on scheme assets in the year was £2.920m (2007/08 (£1.808m))
Scheme history

	2004/05* £000s	2005/06* £000s	2006/07 as restated £000s	2007/08 as restated £000s	2008/09 £000s
Present value of liabilities	(35,728)	(40,700)	(39,670)	(35,936)	(34,576)
Fair value of assets	28,842	30,440	30,648	31,903	27,825
Deficit in the scheme	(6,886)	(10,260)	(9,022)	(4,033)	(6,751)

- The council has elected not to restate fair value of scheme assets for 2004/05 and 2005/06 as permitted by FRS 17 (as revised).
- The liabilities show the underlying commitments that the council has in the long run to pay retirement benefits. The total liability of £6.751m has a substantial impact on the net worth of the council as recorded in the Balance Sheet. However statutory arrangements for funding the deficit mean that the financial position of the council remains healthy as the deficit on the scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.
- The total contributions expected to be made to the pension scheme by the council in the year to 31st March 2010 is £0.444m.

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method; an estimate of pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels etc. The liability has been assessed by Hymans Robertson LLP an independent firm of actuaries, estimates being based on the latest full valuation of the scheme as at 31st March 2007.

The principal assumptions used in their calculation are summarised in the following table:

Assumptions	2007/08	2008/09
Long term expected rate of return on assets		
Equities	7.7%	7.0%
Cashflow Matching	4.5%	4.2%
Cash	4.8%	4.0%
Mortality assumptions		
Life expectancy from age 65 – retiring 2007		
Men		21.0
Women		23.4
Life expectancy from age 65 – retiring in 2027		
Men		22.0
Women		24.2
Financial Assumptions		
Rate of Inflation	3.6	3.1
Rate of Increase in Salaries	5.1	4.6
Expected Return on Assets	4.9	4.4
Discount Rate	6.9	6.9
Take up of option to convert annual pension to retirement lump sum membership prior to 1st April 2008 membership post 1st April 2008		20% 68%

The assets of the scheme consist of the following categories, by proportion of the total assets held by the Fund:

Assets Held	31 March 2008 %	31 March 2009 %
Equities	12.0	8.0
Cashflow Matching	86.0	91.0
Cash	2.0	1.0
	100.0	100.0

History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2008/09 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2009.

	2004/05* %	2005/06* %	2006/07 as restated %	2007/08 as restated %	2008/09 %
Differences between the expected and actual return on assets	0.54	3.74	(0.00)	3.95	(16.50)
Experience gains and losses on liabilities	(12.61)	(0.10)	(1.26)	(4.22)	0.03

6 (iii) Teachers' Pension Scheme

Teachers employed by the Council are members of the Teachers Pension Scheme. The Scheme provides teachers with defined benefits upon their retirement, and the authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

In 2008/09, the Council paid £5.6 million to the Teachers Pensions Agency (TPA) in respect of teachers' retirement benefits, representing 13.72% of pensionable pay. The figures for 2007/08 were £5.4 million and 14.10% respectively. There were no contributions remaining payable at the year end.

The authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. During 2008/09 the costs arising from additional benefits amounted to £335,442.

The Scheme is a defined benefit scheme, administered by the TPA. Although the scheme is unfunded, the TPA uses a notional fund as a basis for calculating the employers' contribution rate paid by Local Education Authorities. However, it is not possible for the Council to identify its share of the underlying liabilities in the scheme attributable to its own employees. For the purposes of this statement of accounts it is therefore accounted for on the same basis as a defined contribution scheme.

7. NOTE OF RECONCILING ITEMS FOR THE STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

	2007/08 (restated) £000s	2008/09 £000s
Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year		
Amortisation of Intangible Fixed Assets	(313)	(323)
Depreciation and Impairment of Fixed Assets	(14,686)	(21,459)
Government Grants Deferred Amortisation	3,657	6,844
Revenue Expenditure Funded from Capital under Statute	(2,214)	(1,848)
Transfer of MRA in respect of HRA Depreciation Adjustment	269	(1,492)
Net Gain/(Loss) on Sales of Fixed Assets	13,693	7,745
Net Charges made for Retirement Benefits in accordance with FRS17	(40,137)	(38,032)
Differences between amounts debited/credited to the Income and Expenditure Account and amounts payable/receivable relating to premiums and discounts on early repayment of debt	2,522	672
Sub Total	**(37,209)**	**(47,893)**
Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year		
Minimum Revenue Provision for Capital Financing	3,294	3,531
Capital Expenditure charged in-year to General Fund Balance	3,264	2,814
Transfer from Useable Capital Receipts to meet Payments to the Housing Capital Receipts Pool	(5,879)	(1,992)
Employer's Contributions payable to the LBHF and LPFA Pension Funds and Retirement Benefits payable direct to Pensioners	22,463	22,927
Sub Total	**23,142**	**27,280**
Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year		
Voluntary Repayment of Debt	1,042	956
Housing Revenue Account Balance	1,841	(5,073)
Net Transfer to/(from) Reserves	1,252	8,082
Sub Total	**4,135**	**3,965**
Net additional amount required to be credited to the General Fund Balance for the year	**(9,932)**	**(16,648)**

8. STAFF REMUNERATION

The numbers of staff receiving remuneration, excluding employer's pension contributions, of £50,000 and above in bands of £10,000 were as follows:

Pay Band	2007/08	2008/09
£50,000 - £59,999	97	107
£60,000 - £69,999	51	52
£70,000 - £79,999	19	27
£80,000 - £89,999	10	12
£90,000 - £99,999	4	5
£100,000 - £109,999	2	2
£110,000 - £119,999	1	1
£120,000 - £129,999	3	2
£130,000 - £139,999	4	1
£140,000 - £149,999	0	4
£150,000 - £159,999	0	0
£160,000 - £169,999	0	0
£170,000 - £179,999	0	0
£180,000 - £189,000	1	0
£190,000 - £199,999	0	0
£200,000 - £209,999	0	1
Total	**192**	**214**

Of the 214 employees listed above, 94 (44%) were employees where pay decisions rest with the School Governing Body and not the Council.

9. AGENCY INCOME AND EXPENDITURE

The Council acts as agent under agreements with various bodies and receives financial reimbursement for the costs of such services from the bodies concerned. A summary of the expenditure involved is contained in the table below.

The expenditure and income relating to agency services is not included in the Income and Expenditure Account, since it is not incurred as part of the authority's normal responsibilities. However, a deficit of £214,000 has been incurred in relation to Thames Water, for whom collection from tenants is carried out. This deficit is included in the Housing Revenue Account Net Cost of Service.

The council is the accountable body for Capital Ambition, London's Regional Improvement and Efficiency Partnership. Capital Ambition is administered by London Councils. Since 1 April 2008 it has incorporated the London Centre of Excellence.

Summary of expenditure incurred in respect of agency agreements

	2007/08 Expenditure £000s	2008/09 Expenditure £000s
London Centre of Excellence - Procurement and Efficiency Projects	1,999	375
Capital Ambition	1,544	3,729
Joint Improvement Programme	0	294
National Work Streams	9	0
Thames Water - Collection from Tenants	3,857	4,000
Eagle Star - Tenants Insurance	48	45
Total	**7,457**	**8,443**

10. BUSINESS IMPROVEMENT DISTRICT SCHEMES

Greater Hammersmith is the name of the organisation formed in 2006/07 to deliver a Business Improvement District Scheme (BID) to Central Hammersmith. The aim of the BID is to make the area a better place to work, live, shop and socialise.

The Council is the billing authority and collects a levy from business rate payers on behalf of the BID. A total of £3 million is expected to be raised and spent exclusively in the Central Hammersmith BID area over the 5 years beginning 1 April 2006. The amounts collected and paid over in 2008/09 are as follows:

	2007/08 £000s	2008/09 £000s
Surplus brought forward	**(42)**	**(82)**
Income		
BID Levy Income	(533)	(507)
Cost of Collection paid by Greater Hammersmith	(18)	(19)
Total	**(551)**	**(526)**
Expenditure		
Payments to Greater Hammersmith to provide improved services	493	539
Cost of collecting levy	18	19
Total	**511**	**558**
Surplus carried forward	**(82)**	**(50)**

11. LEASING CHARGES

Council as Lessee

Operating Leases

The council uses Land & Buildings and Plant, Vehicle & Equipment, which are financed under the terms of operating leases. The amount of operating lease rentals paid to lessors in 2008/09 was £4.085m and the Council is committed to making payments in the future as detailed in the table below of £3.221 m in 2009/10, £6m between 2010/11 – 2013/14 and £7.1 m in 2014/15and later years.

	Operating Lease Rentals £000s			
Asset Classification	**2008/09**	**2009/10**	**2010/11 - 2013/14**	**2014/15 and later years**
Land & Buildings	3,078	2,407	5,750	7,065
Other Leases	1,007	814	347	71
Total	**4,085**	**3,221**	**6,097**	**7,136**

Finance Leases

The council uses a number of vehicles which are financed under the terms of Finance leases. The amount paid under the terms of finance leases in 2008/09 was £0.138m. The authority is committed to making payments of £0.104m in 2009/10.

	Finance Lease Rentals £'000s			
Asset Classification	**2008/09**	**2009/10**	**2010/11 - 2013/14**	**2014/15 and later years**
Plant, Vehicles & Equipment	138	104	0	0
Total	**138**	**104**	**0**	**0**

In 2008/09 for the Plant, Vehicles & Equipment rentals payments to lessors of £0.138m was made up of £0.013 m interest charged to the Income and Expenditure Account and £0.125m was applied to the write down of the Deferred Liability.

The value of assets held under finance leases is detailed in the table below:

Asset Classification	Gross Book Value	Accumulative Depreciation	2008/09 Depreciation
Plant, Vehicles & Equipment	348	(116)	(116)
Total	**348**	**(116)**	**(116)**

Council as Lessor

Operating Leases

The council holds various assets that it leases out to third parties for their use. These include Council Dwellings, Investment Property and Land & Buildings. These leases have all been accounted for as operating leases in 2008/09.

The rentals received in 2008/09 were £3.776m. The value of assets held for this use are detailed in the table below:

Asset Classification	Gross Book Value	Accumulative Depreciation	2008/09 Depreciation	2008/09 Rentals Received
		£000s		
Council Dwellings	0	0	(12)	0
Investment Property	39,845	0	0	(3,576)
Land and Buildings	3,212	(54)	(30)	(200)
Total	**43,057**	**(54)**	**(42)**	**(3,776)**

12. EXPENDITURE ON PUBLICITY

Under Section 5(1) of the Local Government Act 1986, the Council is required to keep a separate memorandum account of expenditure on publicity. The account is summarised as follows:

	2007/08 £000s	2008/09 £000s
Recruitment Advertising	503	577
Other Advertising	96	106
Other Publicity	237	232
Total	**836**	**915**

13. LOCAL AUTHORITIES (GOODS & SERVICES) ACT 1970

The services provided by the Council to other local authorities under the provisions of the Local Authorities (Goods and Services) Act 1970 are shown below:

	2007/08	2008/09		
	Net Expenditure	Gross Expenditure	Income	Net Expenditure
	£000s	£000s	£000s	£000s
Public Mortuary	0	146	(146)	0
Western District Coroner	0	793	(793)	0
Total	**0**	**939**	**(939)**	**0**

14. MATERIAL TRANSACTIONS WITH RELATED PARTIES

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council.

In 2008/09 the Council engaged in the following material transactions with related parties:

a) Government grants were received as scheduled in Note 41 to the Core Financial Statements. Central government has effective control over the operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties.

b) Transactions with associated companies and other entities took place as summarised in Note 37.

Transactions with the Pension Fund are also required to be disclosed. During the financial year the Pension Fund had an average balance of £0.773 million of surplus cash deposited with the Council. The Council paid the Fund £21,468 for interest on these monies. The Council charged the Fund £0.893 million for expenses incurred in administering the Fund. A detailed summary of the Pension Fund Accounts is included within this Statement of Accounts on pages 87 to 99.

Members of the Council have direct control over the Council's financial and operating policies. Information regarding reportable transactions has been collated by requiring all Members and Chief Officers to declare any related party transactions. A review was also carried out of the Council's Register of Declarations of Interests and of the Register of Pecuniary and Non-Pecuniary Interests of Councillors drawn up from declarations made at Committee and other meetings. During the year, the Council engaged in many transactions with related parties as disclosed in the information provided by Councillors and Chief Officers to the value of £3.9 million. The most significant transactions being with charitable institutions of £0.8 million, legal support in the borough of £0.3 million, transactions with Housing Associations of £0.7 million, development and volunteering of £0.8 million, and transactions with cultural organisations, particularly the Lyric Theatre, Hammersmith, of £0.5 million.

In addition to the above, 26 Councillors serve as School Governors in the borough's schools.

Three Councillors act as the Council's representatives on the boards of Hammersmith & Fulham Homes and Hammersmith & Fulham Bridge Partnership. The Council has delegated responsibility for overseeing the management and maintenance of its residential stock by Hammersmith & Fulham Homes. This is in accordance with the five year management agreement that was signed on 27 May 2004 and was effective from 1 June 2004. The Council pays Hammersmith & Fulham Homes a monthly management fee and in 2008/09 the annual fee amounted to £26.3 million.

Hammersmith & Fulham Homes (HFH) is a private company limited by guarantee with no share capital. In the event of the company being wound up, the Council undertakes to contribute such amounts as may be required for the payment of debts and liabilities providing this amount does not exceed £1. Any remaining assets, after the satisfaction of all debts and liabilities, would be transferred to the Council's Housing Revenue Account.

Hammersmith & Fulham Bridge Partnership is a joint venture between Agilisys (80.1%) and the Council (19.9%). The contract between HFBP and the Council is for ten years and commenced on 1st November 2006. HFBP provides IT services to the Council and provides significant capital investment in a range of projects. The Council is deemed to have a significant influence over HFBP. This is exerted through active participation in policy decision-making and implementation and by comprising one third of the membership of the Board of Directors.

Two officers are jointly funded by Hammersmith and Fulham PCT and the council, their positions are Joint Head of Commissioning and Joint Head of Learning and Disability Services. In 2008/09 payments to the trust totalled £2.1million and income through the trust was £18.3m.

15. MEMBERS' ALLOWANCES

The total allowances paid to members in 2008/09, including travel and subsistence allowances, amounted to £868,218 (£857,653 in 2007/08).

16. DISCRETIONARY EXPENDITURE

Section 137 of the Local Government Act 1972, as amended, empowers local authorities to make contributions to certain charitable funds, not for profit bodies providing a public service in the United Kingdom and mayoral appeals. In 2008/09 all main programme voluntary sector grants expenditure across all departments were undertaken under powers contained in the Local Government Act 2000.

17. BUILDING CONTROL STATEMENT

The Building (Local Authority Charges) Regulations 1998 require the disclosure of information regarding the setting of charges for the administration of the building control function. The Council sets charges for work carried out in relation to building regulations with the aim of covering all costs incurred. However, certain activities performed cannot be charged for, such as providing general advice and liaising with other statutory authorities. The total cost, analysed between chargeable and non-chargeable activities, is shown below:

	2007/08	2008/09		
	Total £000s	**Chargeable £000s**	**Non-chargeable £000s**	**Total £000s**
EXPENDITURE				
Employee Costs	1,252	1,095	240	1,335
Transport	17	15	3	18
Premises	0	48	11	59
Supplies and Services	43	232	51	283
Support Costs	464	341	75	416
Total	**1,776**	**1,731**	**380**	**2,111**
INCOME				
Building Regulations Charges	(1,356)	(1,845)		(1,845)
Other Income	(16)			
Total	**(1,372)**	**(1,845)**		**(1,845)**
(Surplus)/Deficit	**404**	**(114)**	**380**	**266**

18. FEES PAYABLE TO THE AUDIT COMMISSION

The following fees were payable to the Audit Commission:

	2007/08 £000s	2008/09 £000s
External Audit Services	415	415
Statutory Inspection	151	27
Certification of Grant Claims and Returns	172	145
Total	**738**	**587**

19. HEALTH ACT 1999 POOLED FUNDS AND SIMILAR ARRANGEMENTS

Under Section 31 of the Health Act 1999, NHS bodies and local authorities can form partnership arrangements for lead commissioning, integrated provision of services and pooled budgets. A Learning Disabilities Service is provided under partnership agreements with Hammersmith and Fulham Primary Care Trust. The Council acts as the accountable body. The memorandum accounts are summarised in the table below:

	2007/8	2008/9
	£000s	£000s
Original Contributions		
London Borough of Hammersmith and Fulham	(10,254)	(11,039)
Hammersmith and Fulham Primary Care Trust	(9,565)	(9,213)
Total Original Contributions	**(19,819)**	**(20,252)**
Total Expenditure	**18,329**	**19,793**
Net Overspend/(Under-spend)	**(1,490)**	**(459)**
(Additional)/Reduced Contributions Required		
London Borough of Hammersmith and Fulham	737	(131)
Hammersmith and Fulham Primary Care Trust	753	590
Revised Contributions		
London Borough of Hammersmith and Fulham	(9,517)	(11,170)
Hammersmith and Fulham Primary Care Trust	(8,812)	(8,623)
Total Revised Contributions	**(18,329)**	**(19,793)**

20. LOCAL AREA AGREEMENT (LAA) GRANT

The Council was a pioneer in developing LAAs – partnerships with other public bodies involving the pooling of government grants to finance work towards jointly agreed objectives for local public services. In 2008/09 the Council and its partners agreed its second LAA for 2008-2011 with the government.

The purpose of the LAA is to encourage and develop partnership working to address key local priorities in Hammersmith and Fulham. The Community Strategy has been agreed by the Borough Partnership and is implemented by the Local Public Service Board. The Community Strategy identifies the key challenge as creating a borough of opportunity for all and its objectives are:

- Tackling crime and anti social behaviour
- Promoting home ownership and housing opportunities
- A cleaner, greener Borough
- A top quality education for all
- Delivering high quality, value for money public services
- Setting the framework for a healthy Borough
- Regenerating the most deprived parts of the Borough.

The LAA partners are:

- London Borough of Hammersmith and Fulham
- Hammersmith and Fulham Primary Care Trust
- Hammersmith and Fulham Police
- Jobcentre Plus
- London Fire Brigade
- North London New Deal for Communities
- West London Learning and Skills Council

The Council acts as the accountable body for the LAA.

In 2008/09, the Council managed the distribution of a new Area Based Grant, details of this can be seen in Note 23.

21. FINANCIAL INSTRUMENTS' CHARGES AND INCOME

Interest receivable and payable recognised in the Income and Expenditure Account are made up as follows:

	Financial Instruments £000s
Interest Expense	23,958
Premiums and Discounts applied	862
Interest Income	(4,522)
Interest and Investment Income in Income and Expenditure Account	**20,298**

A net total of £671,765 of premiums and discounts have been written off to the Financial Instruments Adjustment Account and have been charged to the Statement of Total Recognised Gains and Losses. The Statement of Accounting Policies gives details of how Financial Assets and Financial Liabilities have been accounted for.

22 (i) FIXED ASSETS MOVEMENTS

	Operational Assets					Non Operational Assets			Intangible	
	HRA Dwellings £000s	Other Land & Buildings £000s	Infrastructure £000s	Vehicles Plant & Equipment £000s	Community Assets £000s	Assets Under Construction £000s	Surplus Assets for Disposal £000s	Investment Properties £000s	Fixed Assets £000s	Total £000s
Gross Value at 01/4/2008	**1,352,203**	**373,008**	**135,919**	**22,034**	**6,983**	**3,986**	**12,164**	**43,507**	**2,237**	**1,952,041**
Additions	70,468	9,784	16,068	495	1,390	2,242		1,848	357	**102,652**
Adjustments and Reclassifications		1,572		105	434	(2,111)				
Revaluations	48,397	3,764					302	388		**52,851**
Impairments	(119,906)	(3,033)					(275)	(1,148)		**(124,362)**
Disposals	(4,430)	(417)	(85)				(275)	(4,750)		**(9,957)**
Gross Value at 31/03/2009	**1,346,732**	**384,678**	**151,902**	**22,634**	**8,807**	**4,117**	**11,916**	**39,845**	**2,594**	**1,973,225**
Depreciation at 01/04/2008		**(10,636)**	**(28,307)**	**(9,926)**	**(643)**				**(1,527)**	**(51,039)**
Adjustments										
Revaluation	12,733	658								**13,391**
Disposals		21	19							**40**
Depreciation for year	(12,733)	**(5,799)**	(7,302)	(3,330)	(234)				(323)	**(29,721)**
Depreciation at 31/03/2009		**(15,755)**	**(35,589)**	**(13,256)**	**(877)**				**(1,851)**	**(67,329)**
Net Book Value at 31/3/2009	**1,346,732**	**368,922**	**116,313**	**9,378**	**7,929**	**4,117**	**11,916**	**39,845**	**743**	**1,905,896**

22 (ii) Valuation

The Authority has used the external valuation contractor Lambert Smith & Hampton to carry out the valuations under instruction from the authority's internal Valuation and Property Services. The valuations were carried out by persons who are suitably qualified and experienced for the purposes of the instruction

The basis of valuing the individual classes of fixed assets owned by the Council is explained in Notes 9 and 10 of the Statement of Accounting Practices and Policies.

The table above summarises the movement of fixed assets in respect of the Housing Revenue Account (HRA) stock and other assets.

Freehold and leasehold property owned by the Council has been valued in accordance with the Statement of Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors as recommended by the Chartered Institute of Public Finance and Accountancy. The revaluation of assets is carried out over a five year rolling programme.

In accordance with the five year rolling programme, a number of assets within the portfolio of Community Services and Childrens Services were subject to a revaluation during **February 2009**. **In total, the value of land and buildings rose by a net £0.74m whilst non-operational assets reduced in value by £0.73m.** These took place with effect from 1st April 2008.

In January 2009, the annual revaluation of the Housing stock in 2008/09 gave a new gross value of £1,401 million. These values took effect from 1st April 2008.

The Authority has considered the impact of the current economic climate on its asset values and an impairment review has been carried out. Evidence suggested that the authority's housing stock was the asset type most affected by the current circumstances. In liaison with Valuation and Property Services, it was felt that an impairment of 3-6% was required depending on dwelling type. The majority of this impairment was written off against the balance on the revaluation reserve with the remaining amount charged to the income and expenditure account. However this is not a charge against council tax as a corresponding entry is made against the Capital Adjustment Account. In respect of other asset types, a sample of assets were valued as part of the Council's annual rolling programme and it was felt that further impairments were not necessary.

The following table shows the progress of the Council's rolling programme for the revaluation of fixed assets.

	HRA Stock and Other Assets £000s	Other Land and Buildings £000s	Vehicles, Plant and Equipment £000s	Non-Operational Assets £000s	Total £000s
Valued at Historical Cost	0	0	22,634	0	22,634
Valued at Current Value in:					
2008/09	1,400,599	356,725	0	41,709	1,799,033
2007/08	1,310,084	355,985	0	42,443	1,708,512

2006/07	1,204,542	355,985	0	42,443	1,602,970
2005/06	1,074,639	332,269	0	39,365	1,446,273
2004/05	1,237,040	186,898	0	50,756	1,474,694
2003/04	1,146,022	205,260	0	68,315	1,419,597
2002/03	974,608	215,066	0	48,856	1,238,530
2001/02	1,001,678	219,786	0	39,483	1,260,947

22 (iii) Capital Commitments

Capital commitments on major schemes at 31st March 2009 totalled £34 million, within the Children's Services, Community Services, Residents Services, and Environment Services. These include:-

- £1m to the Langford Primary School relocation project with Gibbs Green to deliver the inclusion agenda.
- £1.250m at Jack Tizzard Special School for the Hydrotherapy Pool.
- £0.250m at John Betts School for the replacement of hutted classroom.
- £0.509m to support Primary Schools with some minor-remodelling.
- £0.600m for the provision of out of school childcare at St Stephen's Primary School
- Various housing stock refurbishment projects are currently underway. Decent Homes partnering contracts are continuing and there are future commitments of £85m planned.

22 (iv) Fixed Assets Held

Fixed assets owned or leased by the Council are shown below.

	31 March 2008 (Numbers)	31 March 2009 (Numbers)
Operational Assets		
Council Dwellings*	13,007	12,988
Hostels*	9	7
Town Halls	2	2
Offices	10	10
Cemeteries	4	4
Swimming Pools and Sports Centres	4	4
Libraries	6	6
Play Facilities	12	12
Social Service Establishments	36	35
Depots	5	5
Secondary Schools	5	5
Primary and Nursery Schools	26	26
Special Schools	6	6
Other Education Premises	20	20
Other Land and Buildings	42	41
Infrastructure Assets		
Bridges	1	1
Community Assets		
Parks and Open Spaces (hectares)	191	191
Non-operational Assets		
Shops	121	120
Industrial Units	9	6
Other	69	68

* opening numbers have been restated

22 (v) Capital Expenditure and Financing

	2007/08	2008/09
	£000s	£000s
Opening Capital Financing Requirement	**413,047**	**444,548**
Capital Investment		
Operational Assets	72,080	98,205
Non Operational Assets	2,696	4,447
Non Enhancing Expenditure	0	0
	74,776	**102,652**
Sources of Finance		
Useable Capital Receipts	(21,908)	(15,469)
Government Grants	(10,095)	(11,544)
Major Repairs Reserve	0	(11,430)
Planning Agreement Funds	(4,211)	(9,468)
Other Capital Contributions	(959)	(2,380)
Sums set aside from Revenue	(6,653)	(6,697)
	(43,826)	**(56,988)**
In Year Borrowing Requirement	**30,950**	**45,664**
Adjusted Capital Financing Requirement	**443,997**	**490,212**
Revenue Expenditure Funded from Capital Under Statute	4,121	8,530
Funded by:		
Useable Capital Receipts	(1,658)	0
Government Grants	(1,375)	(2,524)
Planning Agreement Funds	(533)	(3,601)
Other Capital Contributions	0	(37)
Sums set aside from Revenue	(4)	(520)
Net movement for Revenue Expenditure Funded from Capital under Statute	**551**	**1,848**
Net Movement in year	**31,501**	**47,512**
Adjusted Capital Financing Requirement	**444,548**	**492,060**
Explanations of Movements in Year		
Increase in Underlying need for Supported Borrowing	32,242	48,467
Decrease in Underlying need for Supported Borrowing	(741)	(955)
Increase in Capital Financing Requirement	**31,501**	**47,512**

22 (vi) Intangible Assets

All intangible assets are for software licences or for software development. Software is generally amortised over a four year life.

23. Area Based Grant (ABG)

The 2008/09 Local Government Finance Settlement saw the introduction of Area Based Grant (ABG). This is a general grant, in the same manner as Formula Grant, and can be used for any purpose. It replaced a wide range of specific grant funding streams. For financial reporting purposes, income is reported centrally whilst expenditure is shown within departmental expenditure figures. For this authority the confirmed ABG allocation for 2008/09 was £10.659m. The table below sets outs how the authority's award is made up.

Specific Grant	**2008/09 £000s**
Cohesion	26
Supporting People Administration	231
Working Neighbourhood Fund	600
Preventing Violent Extremism	125
Climate Change (Planning Policy Statement)	23
School Development Grant	1,200
Extended Schools Start Up Grants	261
Primary National Strategy – Central Co-Ordination	78
Secondary National Strategy – Central Co-Ordination	114
Secondary National Strategy – Behaviour & Attendance	68
School Improvement Partners	56
Education Health Partnerships	81
School Travel Advisers	19
Choice Advisers	34
School Intervention Grant	34
14-19 Flexible Funding Pot	25
Sustainable Travel – General Duty	11
Extended Rights to free transport	1
Connexions	1,475
Children's Fund	474
Child Trust Fund	5
Positive Actions for Young People	408
Teenage Pregnancy	109
Children's Social Care Workforce	109
Care Matters White Paper	208
Child Death Review Processes	43
Young Peoples Substance Misuse	25
Preventing Violent Extremism Toolkit	10
Adult Social Care Workforce	536
Carers	980
Child & Adolescent Mental Health	556
Learning & Disability Development Fund	212
Local Involvement Networks	143
Mental Capacity Act & Independent Mental Capacity	101
Mental Health	677
Preserved Rights	1,204
Stronger Safer Communities	289
Young People Substance Misuse Partnership	108
TOTAL ABG	**10,659**

24. LONG-TERM DEBTORS

	31 March 2008 £000s	31 March 2009 £000s
House Purchase	176	163
Sale of Council Dwellings	769	647
Car Loans	10	4
Total	**955**	**814**

25. STOCK

	31 March 2008 £000s	31 March 2009 £000s
Stocks -Trading	213	104
Stocks - Other	32	175
Total	**245**	**279**

26. DEBTORS

	31 March 2008 £000s	31 March 2009 £000s
Government Departments	11,512	25,904
Other Public Bodies	2,462	979
Housing Rents	3,957	3,702
Business Rates	7,513	8,498
Council Tax	10,066	11,602
Sundry Debtors	82,799	108,456
Car and Other Employee Loans	113	124
Payments in Advance	4,431	3,840
Sub total	**122,853**	**163,105**
Less:		
Provision for Doubtful Debts	(72,654)	(85,140)
Total	**50,199**	**77,965**

27. CASH BALANCES

	31 March 2008 £000s	31 March 2009 £000s
Bank/Petty Cash Balances	1,356	2,070
School Bank Accounts	11,228	11,794
Sub-total	12,584	13,864
Less:		
Cash Balances Overdrawn	(11,816)	(30,750)
Total	**768**	**(16,886)**

28. CREDITORS

	31 March 2008 £000s	31 March 2009 £000s
Government Departments	(20,492)	(17,425)
Other Public Bodies	(5,694)	(21,530)
Housing Rents	(1,168)	(1,167)
Business Rates	(3,592)	(5,085)
Council Tax	(4,274)	(4,898)
Sundry Creditors	(80,290)	(75,088)
Total	**(115,510)**	**(125,193)**

29. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES CARRIED AT AMORTISED COST

Financial liabilities and assets represented by loans and investments are carried in the Balance Sheet at amortised cost. Re-scheduled loans are matched with any consequential premiums and discounts with an effective interest rate applied. This results in an interest rate charge to the Income and Expenditure Account which is different from the cash actually payable. The following assumptions also apply:

- No early payment or impairment is recognised.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount, with any provision for bad or doubtful debts assessed as disclosed in Note 26.

	31 March 2009	
	Carrying Amount £000s	Fair Value £000s
Financial Liabilities	(402,903)	(451,333)
Financial Assets	78,710	78,436

The carrying amount of financial liabilities includes the balance of premiums and discounts to be charged or credited to the Income and Expenditure Account in future years plus accrued interest payable. The carrying value of investments is their cash value plus accrued interest receivable. The fair values of the financial instruments above have been calculated on the basis of the interest rates applicable in the market on 31 March 2009 for an instrument of the same duration, ie valuation date to maturity, by the Council's treasury management advisors.

No borrowings are carried at fair value.

30. FINANCIAL INSTRUMENTS' RISK EXPOSURE

The authority's activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay amounts due to the authority.

- Liquidity risk – the possibility that the authority might not have funds available to meet its commitments to make payments.

- Market risk – the possibility that financial loss might arise for the authority as a result of changes in such measures as interest rate movements.

The authority has adopted the CIPFA "Treasury Management in the Public Services: Code of Practice" and sets treasury management indicators to control key financial instrument risks in accordance with CIPFA's Prudential Code. The authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team under policies approved by the Council in accordance with the above Codes of Practice. There are documented principles for overall risk management, and written policies covering specific areas such as interest rate risk and investment of surplus cash risk.

Credit Risk
Credit risk arises from the short term lending of surplus funds to banks and other financial institutions, as well as credit exposures to the authority's customers. Deposits are not made with banks unless they are rated independently with a minimum score of A and are not made with building societies unless they are rated with a minimum score of A2. Limits are also placed on the total amount deposited with any single institution.

Exposure to customers is assessed by reference to past experience, age of debt, and stage of the recovery process. Details of these debts are reported in Note 26 which also shows a prudent provision for their impairment. The authority does not normally allow credit for its customers. The age profile of the Council's debtors is summarised as follows:

Age Profile of Debtors	Amount at 31 March 2008 £000s	Amount at 31 March 2009 £000s
Less than 3 months	27,206	38,633
3 months to 6 months	3,347	3,346
6 months to 1 year	11,119	14,676
More than 1 year	69,297	86,153
Total	**110,969**	**142,808**

Payments in advance of £3,840,000 and accruals of £16,457,000 have been excluded from this analysis as they do not represent debt to be recovered.

There are bad debt provisions of £85,140k held against the debt outstanding above. This represents 85% of all debt outstanding over 6 months. The council has a debt recovery and write off policy and these debts will be considered for write off in line with that policy.

The following table summarises the authority's potential maximum exposure to credit risk, including the authority's historic experience of default over the past five years:

	Amount at 31 March 2009 £000s	**Historic Experience of Default %**	**Estimated Maximum Exposure to Default £000s**
Deposits with Banks and Financial Institutions	76,000	0	0

No credit limits were exceeded in the period and the authority does not expect any losses from non-performance by any of its counterparties in relation to deposits. Deposits are not made with banks unless they are rated independently with a minimum score of A and are not made with building societies unless they are rated with a minimum score of A2. Limits are also placed on the total amount deposited with any single institution.

Liquidity Risk
As the authority has ready access to borrowings from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. The authority's Short and Long Term Borrowing are summarised in the following tables at their unadjusted face value:

	31 March 2008 £000s	**31 March 2009 £000s**
Short Term Borrowing (less than one year)	0	0
Total	**0**	**0**

Long Term Borrowing	**31 March 2008 £000s**	**31 March 2009 £000s**
Public Works Loan Board	(388,520)	(398,520)
Total	**(388,520)**	**(398,520)**

The risk is that the authority may be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The strategy adopted is to ensure that not more than 30% of loans are due to mature within any rolling three year period through a combination of planning of new loans taken out and the re-scheduling of existing loans. The maturity analysis of financial liabilities is as follows:

	31 March 2008	**31 March 2009**

	£000s	£000s
One to two years	0	0
Between two and five years	16,174	36,430
Between five and ten years	78,282	66,026
More than ten years	294,064	296,064
Total	**388,520**	**398,520**

All trade and other payables (creditors as disclosed in Note 28) are due to be paid in less than one year.

Market Risk

The authority has limited its exposure to the risk of interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the authority. For instance, a rise in interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Income and Expenditure Account would rise.
- Borrowings at fixed rates – the fair value of the liabilities would fall.
- Investments at variable rates – the interest income credited to the Income and Expenditure Account would rise.
- Investments at fixed rates – the fair value of the assets would fall.

The authority has a number of strategies for managing interest rate risk. Its policy is to set a maximum of 20% to its borrowings of variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates of the authority's cost of borrowing and provide compensation for a proportion of any higher costs.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and capital programme and which is used to update the regular monitoring of the budget during the year. This allows any adverse changes to be accommodated. The analysis also assists in determining whether any new borrowing is at fixed or variable rates.

The sensitivity of the authority's finances to interest rate changes may be analysed as follows. If interest rates had been 1% higher with all other variables held constant in 2008/09, the financial effect would have been:

	£000s
Increase in interest payable on variable rate borrowings	0
Increase in interest receivable on variable rate investments	0
Increase in Government Grant receivable for financing costs	0
Impact on Income and Expenditure Account	0

Share of overall impact on the HRA	0

All of the authority's investments and loans are at fixed interest rates so that the existing portfolio has no short term sensitivity to either upward or downward interest rate changes.

31. PROVISIONS

	1 April 2008 £000s	Movement in Year £000s	31 March 2009 £000s
Insurance	(4,301)	76	(4,225)
Section 117	(602)	34	(568)
Housing Repairs	(300)	300	0
1-15 King St	0	(150)	(150)
LD Placement	0	(250)	(250)
Total	**(5,203)**	**10**	**(5,193)**

The Authority maintains an Insurance Provision (balance at 31 March 2009 £4.225 million) for known future insurance claims resulting from the Authority's self-insurance of liability risks and fire damage. The Authority self-insures against part of its risk (i.e. public, employers and fire) by meeting up to first £100,000 of every claim.

The House of Lords ruled in August 2002 that local authorities have no power to charge for care provided under Section 117 (Mental Health Act 1983). The Council had charged for this service for some ten years and stopped doing so in March 2002. The Council established a provision to meet the liabilities for repayment of these charges. Measures are taken to ensure that Section 117 applies in each case and determine the period for which it applies. Formal reporting takes place within the Community Services Department to monitor repayments made.

A provision was made in 2007/08 in respect of a claim by a housing repairs contractor for the estimated maximum liability of the Council. Settlement with the contractor was reached in September 2008 with the remaining balance on the provision cleared to the revenue account.

A provision has been made in 2008/09 for the legal costs of a dilapidations claim made by the freeholder of 1-15 King St against the Council as lessee. Settlement on the dilapidations costs was reached at £650,000 in January 2008, but the claim for reimbursement of legal costs is still outstanding and is likely to be £150,000.

A provison of has been made in 2008/09 for Learning & Disabilities care home placement of £250,000. Liability for the cost of the placement is disputed with Sutton & Merton Primary Care Trust. Discussions are ongoing and liability should be resolved in 2009/10.

32. DEFERRED LIABILITIES

	31 March 2008 £000s	31 March 2009 £000s
Finance Leases	(229)	(104)
Frozen Holiday Pay	(31)	(8)
Total	**(260)**	**(112)**

In 2004/05, the Council entered into three finance leases for IT equipment. Two of the leases are for a duration of three years, whilst the third lease is for four years. In 2008/09 the deferred liability has been written down for the annual lease repayment.

The liability for frozen holiday pay resulted from changes in the conditions of manual workers some years ago. In most instances, payment takes place when individual employees leave the Council's service.

33. DEFERRED CREDITS

Deferred credits are amounts derived from the sale of assets that will be repaid to the Council by instalments over an agreed number of years. They have arisen from mortgages provided by the Council for the sale of Council dwellings.

34. EARMARKED RESERVES

The Council maintains a number of reserves for specific purposes under the Local Government and Housing Act 1989.

Reserve	1 April 2008	Transfers In	Transfers Out	Movement Between Reserves	31 March 2009
	£000s	£000s	£000s	£000s	£000s
Insurance Fund	(2,325)	(2,060)	1,296	0	(3,089)
Controlled parking fund	(177)	0	177	0	0
Computer Replacement Fund	(861)	0	0	0	(861)
Efficiency Projects Reserve	(6,704)	(374)	1,679	0	(5,399)
Economic Downturn	0	(915)	0	(1,206)	(2,121)
Debtors and Creditors Review	(71)	(63)	17	0	(117)
PCT Integration Reserve	0	(150)	0	0	(150)
Diliapidations/Office Moves Reserve	0	(395)	0	(395)	(790)
Housing Benefit	(2,619)	0	157	0	(2,462)
Income System Enhancement	0	(355)	0	0	(355)
Planning Inquiries	(139)	(69)	39	0	(169)
Departmental Carry Forwards	(3,701)	(196)	1,015	2,882	0
Single Status	(2,545)	0	784	0	(1,761)
Bishops Park	0	0	0	(1,000)	(1,000)
Performance Reward Grant	0	(2,296)	0	0	(2,296)
Imperial Wharf	0	0	0	(1,000)	(1,000)
No Recourse to Public Funds	(200)	0	0	0	(200)
24/7 Policing	0	0	0	(3,327)	(3,327)
CEDAR Financials	(175)	0	175	0	0
Civic Accomodation	(1,056)	0	68	0	(988)
PFI Reserve	0	(432)	0	0	(432)
On-line Housing Application Reserve	0	(300)	0	0	(300)
S 117 Reserve	(200)	0	0	0	(200)
Major Works	(76)	(54)	0	0	(130)
Continuing Care Pressures	0	(776)	0	(700)	(1,476)
Projects Underwritten	(2,970)	0	0	2,970	0
LPFA Top Up	(22)	0	0	0	(22)
Other Funds	(5,195)	(1,520)	532	1,776	(4,407)
Total	**(29,036)**	**(9,955)**	**5,938**	**0**	**(33,053)**

The main purpose of each earmarked reserve is explained below:

i). **Insurance Fund –** this was established to underwrite a proportion of the Council's insurable risks

ii). **Controlled Parking Fund –** the surplus for the running of the Controlled Parking operations within the Borough is accumulated in this Fund. This reserve has to been used to meet expenditure on transport and highways projects during 2008/9.

iii). **Computer Replacement Fund –** this reserve has been set up to provide for the replacement of equipment and to fund future computer development work.

iv). **Efficiency Projects Reserve –** this reserve will fund future revenue expenditure and capital investment that will provide future revenue savings.

v). **Economic Downturn Reserve –** this reserve has been set up to deal with any effects of the current worldwide economic downturn.

vi). **Debtors & Creditors Review Reserve –** this reserve is set aside to meet the cost of a review of all balance sheet debit and credit balances held by the Council and to meet any costs of adjusting those balances

vii). **PCT Integration Reserve –** this reserve has been set up to fund any potential costs of the integration of Hammersmith & Fulham Primary Care Trust.

viii). **Dilapidations & Office Moves –** this reserve has been set up to fund potential office moves and the repair of office accommodation dilapidations.

ix). **Housing Benefit Reserve –** the completion of the audit of the housing benefit subsidy claim often results in a reduction in subsidy paid for the previous financial year. This reserve is used to meet the cost of any adjustments.

x). **Income System Enhancement Reserve –** this reserve has been set up to fund the replacement of upgrade of the Council's cash collection IT system.

xi). **Planning Inquiries Reserve –** this reserve is established to fund possible future costs of planning inquiries that may become chargeable to the General Fund.

xii). **Departmental Carry Forwards –** this reserve is used to carry forward departmental underspends. The funds have been transferred to fund specific reserves during 2008/9

xiii). **Single Status Reserve –** this reserve has been created to meet the costs of the implementation of Single Status. Local Authorities were required to introduce harmonised pay and conditions for staff by 31st March 2007.

xiv). **Bishops Park Reserve –** this reserve has been set aside as part of the Bishops Park lottery funded development scheme

xv). **Performance Reward Grant –** this is a reserve set up to hold funds from the Reward Grant passed to the Council by the Department of Communities & Local Government.

xvi). **Imperial Wharf Reserve –** this reserve has been set up to under write the construction of Imperial Wharf Overground station.

xvii). **No Recourse to Public Funds Reserve –** this reserve is established to provide services to people who have no recourse to public funds

xviii). **24/7 Policing** – this reserve has been set up to fund the extension of the Safer Neighbourhood Teams 24/7 policing pilot scheme

xix). **Cedar Financials Reserve –** these funds are provided for the re-implementation of the Cedar Financials System. Work on this has been completed in 2008/9.

xx). **Civic Accommodation Reserve –** this reserve is set aside to meet the preliminary costs that are emerging in connection with the Council's Civic Accommodation project.

xxi). **PFI Reserve –** this reserve has been set up to meet the future indexations costs of the Council's Private Finance Initiative xxii). **On-line Housing Application System Reserve –** set up to fund the inception on an on-line Housing applications register.

xxiii). **S117 Reserve –** this money was set aside to meet the costs of any new cases arising in 2008/9 and future years.

xxiv). **Major Works Charges –** this reserve has been set aside to assist leaseholders in paying for major works from the Decent Homes programme.

xxv). **Continuing Care Pressures Reserve –** this reserve has been set up to meet the demands of a potential future increase of cost related to social care.

xxvi). **Projects Underwritten –** this reserve was set aside for the underwriting of various projects. The funds have been transferred to fund specific reserves during 2008/9

xxvii). **LPFA Top-up reserve –** this reserve was set up to cover past service adjustments.

xxviii). **Other Funds –** these comprise a number of other reserves held by various departments of the Council

35. CAPITAL ACCOUNTS AND RESERVES

Reserve	1 April 2008 (restated)	Transfers In	Transfers Out	Movement Between Reserves	31 March 2009
	£000s	£000s	£000s	£000s	£000s
Revaluation Reserve	**(141,825)**	(66,241)	118,910	14,795	**(74,361)**
Capital Adjustment Account	**(1,237,096)**	(22,037)	45,644	(33,884)	**(1,247,373)**
Financial Instruments Adjustment Account	**3,479**	0	(672)	0	**2,807**
Useable Capital Receipts Reserve	**0**	(23,678)	2,259	17,332	**(4,087)**
Capital Reserves	**(3,050)**	0	0	1,757	**(1,293)**
Total	**(1,378,492)**	**(111,956)**	**166,141**	**0**	**(1,324,307)**

The main purpose of the Capital Accounts and Reserves is as follows:

(i) **Revaluation Reserve** – this is a store of the gains on revaluation of Fixed Assets not realised through sales since 1 April 2007.

(ii) **Capital Adjustment Account** – this is a store of capital resources set aside to meet past expenditure.

(iii) **Financial Instruments Adjustment Account** – this is a balancing account to allow for differences between statutory requirements and proper accounting practices in the treatment of borrowings and investments.

(iv) **Useable Capital Receipts** – these are the proceeds of Fixed Asset sales available to meet capital expenditure and the voluntary redemption of debt.

(v) **Capital Reserves** – these comprise revenue contributions earmarked for the future funding of capital expenditure.

Impairment and the Revaluation Reserve

In 2008/09, the authority revalued a proportion of its fixed assets according to its five year rolling programme as well as its housing stock, using the Beacon approach. The authority has also considered the impact of the current economic climate on its asset values and an impairment review has been carried out.

General Fund

Of those assets revalued, the valuation report required a total of £4.457m to be charged to revenue as an impairment. This did not pass through the Revaluation Reserve as there was no previous gain against which to offset the impairment charge. A number of assets required an upward revaluation in their net book value. This totalled £4.454m, which was included with the Revaluation Reserve.

HRA Dwellings

The movement on the Revaluation Reserve, in relation to the housing stock, is due to two items – by the initial valuation report as at 1st April 2008 and by subsequent evidence concerning the current economic climate. Initially, an upward revaluation of £48.4m was required to reflect the results of the independent valuation report. Later evidence suggested that the housing stock was the asset type most affected by the current economic downturn and in liaison with Valuation and Property Services, it was felt that an impairment of between 3-6% was appropriate depending on dwelling type. This amounted to an impairment of £119.9m of which £0.996m was passed through the revenue account as an insufficient balance was held within the Revaluation Reserve.

Summary

The table below sets out the movement on the Revaluation Reserve:

	£000's	**£000's**
Opening Balance		**(141,825)**
Disposals	695	
General Fund Revaluations	(4,454)	
HRA Dwellings Revaluations	(48,397)	
HRA Dwellings Impairment	118,910	
In Year Movement		66,754
Closing Balance		**(75,071)**

36. REVENUE RESERVES AND BALANCES

The Council has a number of revenue reserves and balances as follows:

	1 April 2008 £000s	31 March 2009 £000s
General Fund	(14,158)	(14,831)
Housing Revenue Account	(9,977)	(4,905)
Collection Fund	(1,714)	373
Education Establishment Account	(11,520)	(11,572)
TOTAL	**(37,369)**	**(30,935)**

(i) **General Fund** – this fund includes any surplus after meeting net expenditure on Council services.

(ii) **Housing Revenue Account** – this reserve provides a working balance for the Housing Revenue Account, for which transactions are ring-fenced under the provisions of the Local Government and Housing Act 1989.

(iii) **Collection Fund** – the Collection Fund balance represents the LBHF portion of surpluses or deficits on the collection of Council Tax.

(iv) **Education Establishments Account** – this balance is comprised of unspent revenue balances of schools and other educational establishments at the year-end, which may be applied in the following year. The balances can only be used by the schools or establishments and are not available to the Council for general use.

37. INTERESTS IN COMPANIES

The Council has an involvement with a number of associated companies which are set out below. The assets and liabilities of these companies are not included in the Council's accounts as the materiality of the relationship does not justify such consolidation. Information is provided as to the general purpose of the company, its financial position, and any other material financial issues affecting the Council.

(i) **Lyric Theatre Hammersmith Limited**

This is a company limited by guarantee and a registered charity. Its main business is the promotion and encouragement of the lively arts and theatre management. The Council supplies funding under a funding agreement to enable the company to carry out its charitable objectives. The contributions were £351,729 in 2007/08 and £351,459 in 2006/07. The latest audited accounts available, those relating to 2007/08, show net assets of £2,763,220 (£2,913,225 in 2006/07) and a deficit on its activities in that year of £150,005 (deficit of £284,890 in 2006/07). The Funding agreement also provides the financial arrangements and responsibilities of the Council and Theatre respectively as a consequence of the Company occupying its premises on the basis of a sub under lease from the Council.

Copies of the accounts may be obtained from the Executive Director, Lyric

Theatre, King Street, London W6 0QL.

(ii) **Hammersmith and Fulham Urban Studies Centre**

This charity is a charitable company limited by guarantee and was set up in 1983. Its objectives are the advancement of environmental education at all levels, particularly in the London Borough of Hammersmith and Fulham. The Council is the main source of grant funding for the charity. The charity's latest audited accounts available, those relating to 2007/08 show net assets worth £41,786 (£48,748 in 2006/07). A deficit of £6,962 has been reported for 2007/08 (£2,026 surplus in 2006/07). Copies of the accounts may be obtained from the Company Secretary, Hammersmith and Fulham Urban Studies Centre, The Lilla Huset, 191 Talgarth Road, London, W6 8BJ.

(iii) **Hammersmith & Fulham Bridge Partnership (HFBP)**

HFBP is a joint venture between Agilisys (80.1%) and the council (19.9%). The contract between HFBP and the Council is for ten years and commenced on 1st November 2006. During this period HFBP will provide IT services to the Council and provide significant capital investment in a range of projects. Although HFBP has been included in the Group Accounts of the Council as an Associate of the Council in previous years, the issue of materiality was considered and the conclusion was that inclusion would not make a material difference to the usefulness of the Statement of Accounts for readers. The unaudited accounts for the year 2008/9 showed total net assets of £3.099million (£2.539million in 2007/08) with a loss before tax of £557,000 (£1.175million loss in 2007/08) of which 19.9% would apply to the Council's Group accounts.

Copies of HFBP accounts may be obtained from HFBP, 2nd Floor, 26-28 Hammersmith Grove, Hammersmith, London, W6 7AW

(iv) **Hammersmith & Fulham Homes (HFH)**

HFH is a company limited by guarantee and does not have any share capital. The company was set up as an Arms Length Management Organisation (ALMO) in June 2004 to provide housing management services in relation to the Council's housing stock. There are nineteen Board Members of which five are appointed by the Council. Board members have equal voting rights. In the event of the company being wound up, any assets or surplus shall be transferred to the Council (Housing Revenue Account). The Council is liable to pay liabilities up to a maximum of £1. Although HFH has been included in the Group Accounts of the Council as a subsidiary in previous years, the issue of materiality was considered and the conclusion was that inclusion would not make a material difference to the usefulness of the Statement of Accounts for readers. The unaudited accounts for the year 2008/9 showed total net assets of £3.8million (£3.8million in 2007/8) with a loss before tax of £191,000 (£20,000 profit in 2007/08).

Copies of H&F Homes accounts may be obtained from H&F Homes, Riverview House, Beavor Lane, Hammersmith, London W6 9AR.

38. CONTINGENT ASSETS AND LIABILITIES

Contingent Asset:

Imperial Wharf: Discounted Market Sale Units
The Council has received a 30% equity share on 25 properties sold, at a discount, at Imperial Wharf. At the time of sale, the estimated value of the Council's equity share was £2.552m – though this is subject to market fluctuations. At any time the owners of such properties can request that they buy the remaining 30% share. Such a purchase would realise additional capital resources for the Council which can be invested in affordable housing projects, but the level and timing of such resources is uncertain.

Contingent Liabilities:

The Council may have a potentially significant liability for the issues set out below. However, uncertainty exists as to the likelihood, amount and timing of any expenditure in each instance and it is not therefore possible to include any provision in the financial statements.

Single Status
In accordance with the National Single Status agreement on local government conditions of service and payscales, the Council has undertaken an equal pay audit. The Council has largely implemented Single Status but the Union's still assert that the Council has an equal pay risk. The Council established an earmarked reserve of £2.545million to fund potential equal pay claims in 2007/8 and settled the majority of cases in 2008/9. However, some specific areas are still under negotiation and the Council's earmarked reserve to fund equal pay claims stands at £1.761 million at 31 March 2009.

Normand Park Capital Works
Following the late completion of capital works at Normand Park, the Council is in negotiations with the contractor in respect of further payments. At this stage, the timing and level of this payment is unclear.

39. WORMWOOD SCRUBS CHARITABLE TRUST

The Mayor and Burgesses of the council are the trustees of the Wormwood Scrubs Charitable Trust. The trust's objective is to hold Wormwood Scrubs Open Space "upon trust for the perpetual use thereof the inhabitants of the Metropolis for exercise and recreation" as defined by the Wormwood Scrubs Act of 1879. The table below shows the operating costs and income of the Trust.

	2007/08 £000s	**2008/09 £000s**
Balance at 1st April	(5,465)	(5,697)
Income	(633)	(751)
Sub total	**(6098)**	**(6,448)**
Less:		
Expenditure and Transfers	401	700
Balance at 31st March	**(5,697)**	**(5,748)**

The Trust owns assets valued at £5 million. Specifically theses are car parks that are classified as investment assets and valued on an existing use basis.

From 2007/8 the Trust's accounts are no longer incorporated in the council's Group Accounts on the basis that the specific enactment referred to above plus the obligations of trustees under the general law relating to charities preclude the trustees from acting other than in accordance with the charitable purposes of the Trust.

40. ANALYSIS OF NET ASSETS EMPLOYED

The net assets (revenue and capital) employed at the year end were:
(as restated – see Note1)

	2007/08 (restated) £000s	2008/09 £000s
General Fund	96,533	102,385
Housing Revenue Account	1,087,034	1,016,208
Collection Fund	1,714	(373)
Total	**1,185,281**	**1,118,220**

41. GOVERNMENT GRANTS

An analysis of grants shown in the Cash Flow Statement is shown below:

	2007/08 £000s	2008/09 £000s
Aids and HIV	294	331
Supporting People	13,157	12,669
Education Standards Fund	17,590	17,531
New Deal for Communities and Single Regeneration Budget	11,451	4,544
Mental Health	887	0
Community Care	2,583	0
Dedicated Schools Grant	82,621	84,844
Housing Subsidy	13,848	12,999
Rent Allowances and Rent Rebates Subsidy	113,305	114,743
Council Tax Benefit Subsidy	17,171	16,790
Housing Benefit Administration	2,785	2,537
Asylum Seekers	4,346	2,263
Sure Start	1,478	5,650
Youth Offending Team	881	904
NNDR Collection Allowance	493	485
Transport	1,386	0
Asset Management	274	0
Housing	3,179	2,202
Minority Ethnic Pupils	2,266	0
Funding for Sixth Forms	7,956	8,402
Children's Trust	153	0
Other Education Grants	6,878	3,605

Other Social Services Grants	8,502	2,198
Capital Ambition	2,422	4,023
London Centre of Excellence	1,168	0
Performance Reward Grant	0	2,171
Area Based Grant	0	10,659
Other Grants	4,268	2,529
Total	**321,342**	**312,079**

In 2008/09, the Area Based Grant (ABG) replaced a wide range of specific grant funding streams. Note 23 provides a breakdown of how the authority's award is made up.

42. RECONCILIATION OF THE DEFICIT ON THE INCOME AND EXPENDITURE ACCOUNT TO THE REVENUE ACTIVITIES NET CASHFLOW

	2007/08		2008/09	
	£000s	£000s	£000s	£000s
Net Deficit on Income and Expenditure Account		**23,284**		**15,923**
Remove non cash transactions				
Pensions	(17,674)		(15,105)	
Depreciation	(26,044)		(21,782)	
Government Grants Deferred	3,657		6,844	
REFCUS	(4,121)		(1,849)	
Transfer to MRA	269		(1,492)	
Provisions	267		10	
Other Adjustments	(2,328)		(28)	
Sub Total		(45,974)		(33,402)
Remove accrued items				
Increase/(Decrease) in Debtors	(341)		25,608	
(Increase)/Decrease in Creditors	(5,776)		(9,807)	
Increase/(Decrease) in Stocks	(68)		34	
Sub Total		(6,185)		15,835
Financing Items shown later In Cash Flow		(16,038)		(8,484)
Net Cash Inflow from Revenue Activities		**(44,913)**		**(10,128)**

43. MOVEMENTS IN CASH AND CASH EQUIVALENTS

The actual 2008/09 movements in cash and cash equivalent balances are shown in the following table:

	Balance 1 April 2008 £000s	Balance 31 March 2009 £000s	Net Movement in Year £000s
Petty Cash Imprests	1,356	2,070	714
Cash Overdrawn	(11,816)	(30,750)	(18,934)
Education Establishments	11,228	11,794	566
Total	**768**	**(16,886)**	**(17,654)**

44. RECONCILIATION OF ITEMS UNDER FINANCING AND MANAGEMENT OF LIQUID RESOURCES TO THE OPENING AND CLOSING BALANCE SHEETS

	Balance 1 April 2008 £000s	Balance 31 March 2009 £000s	Net Movement in Year £000s
Short Term Investments	111,700	76,000	(35,700)
Total	**111,700**	**76,000**	**(35,700)**

45. RECONCILIATION OF THE MOVEMENT IN CASH TO THE MOVEMENT IN NET DEBT

		Balance 31st March 2008 £000s	Balance 31st March 2009 £000s
(Decrease)/Increase in cash for the period	Note 27	(1,406)	(17,654)
Cash (inflow)/outflow from movement in debt financing		(9,675)	(9,875)
Cash (inflow)/outflow from movement in liquid resources	Note 44	20,861	(35,700)
Movement in net debt in the period		**9,780**	**(63,229)**
Net Debt at 1st April		(282,172)	(278,215)
Net Debt at 31st March		(278,215)	(342,542)
Movement in net debt in the period		**3,957**	**(64,327)**
Remove non cash items		5,823	(1,098)
Movement in net debt in the period		**9,780**	**(63,229)**

46. EVENTS AFTER THE BALANCE SHEET DATE

As at 29 June 2009 when the accounts were authorised for publication and audit by the Council's Audit Committee there were no material adjusting or non adjusting events after the balance sheet date to report.

47. AUTHORISED FOR ISSUE DATE

Under the Accounts and Audit Regulations 2003, on 22nd September 2009, Jane West, Director of Finance and Corporate Services certified that this Statement of Accounts 'presents fairly' the financial position of the London Borough of Hammersmith and Fulham for the year 2008/09.

SUPPLEMENTARY FINANCIAL STATEMENTS

COLLECTION FUND ACCOUNT

HOUSING REVENUE ACCOUNT

PENSION FUND ACCOUNT

COLLECTION FUND ACCOUNT

This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund, which shows the transactions of the billing authority in relation to Non-Domestic Rates and the Council Tax, and illustrates the way in which these have been distributed to precepting authorities and to the authority's own General Fund. The Collection Fund is consolidated into the accounts of the billing authority.

	Note	2007/08 £000s	2008/09 £000s
Income			
Income from Council Tax	1	(76,697)	(76,548)
Transfers from General Fund:			
- Council Tax Benefits		(16,937)	(16,608)
Non-Domestic Rate Income		(112,775)	(115,169)
Total Income		**(206,409)**	**(208,325)**
Expenditure			
Precepts and Demands	3	92,060	92,363
Non-Domestic Rates			
- Payment to National Pool	2	112,282	114,685
- Costs of Collection		493	485
Bad and Doubtful Debts/Appeals			
- Write offs		704	840
- Provisions		404	931
Distribution of previous year's Collection Fund Surplus		1,297	1,832
Total Expenditure		**207,240**	**211,135**
Change in Fund Balance in year		831	2,811
(Surplus)/Deficit as at 1 April		(3,129)	(2,299)
(Surplus)/Deficit as at 31 March		**(2,298)**	**512**

NOTES TO THE COLLECTION FUND ACCOUNT

1. INCOME FROM COUNCIL TAX

Council Tax Income is the amount payable by council tax payers, inclusive of changes arising during the year for successful appeals against valuation banding, new properties, disabled relief and exempt properties. The Council's tax base is based on the number of chargeable dwellings in each valuation band, adjusted for dwellings where discounts apply, converted to an equivalent number of Band D dwellings. For 2008/09 it was calculated as follows:

Band	Estimated Number of Taxable Properties after Discounts and Exemptions	Ratio to Band D	Band D Equivalent Dwellings
A	2,373	6/9	1,582
B	4,274	7/9	3,324
C	10,794	8/9	9,594
D	18,822	1	18,822
E	12,275	11/9	15,003
F	7,813	13/9	11,285
G	9,492	15/9	15,820
H	1,783	18/9	3,566
	67,626		**78,996**

2. NATIONAL NON-DOMESTIC RATES

NNDR is organised and administered on a national basis. The government specifies an amount (45.8 pence in the £ in 2008/09) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount.

The Council is responsible for collecting rates due from ratepayers in its area but pays the proceeds into an NNDR pool administered by the Government. The Government redistributes the sums paid into the pool back to local authorities' General Funds on the basis of a fixed amount per head of the population.

The NNDR income (after reliefs and provisions) was £115.169 million for 2008/09 (£112.775 million for 2007/08). The rateable value at 31st March 2009 was £291 million (£296.4 million at 31st March 2008).

3. PRECEPTS AND DEMANDS

The Greater London Authority (GLA) levies a precept upon the Council's Collection Fund based upon the Council's tax base for the year. In addition, the Council's own requirement is charged to the Collection Fund and credited to the General Fund. The GLA precept includes elements for the Metropolitan Police Authority, the London Fire and Emergency Planning Authority, Transport for London, the London Development Agency and the core GLA functions.

	2007/08 £000s	2008/09 £000s
London Borough of Hammersmith and Fulham	68,617	67,959
Greater London Authority	23,443	24,404
	92,060	**92,363**

4. COLLECTION FUND BALANCE

A proportion of the Collection Fund balance above is properly attributable to the Greater London Authority and thus should not be wholly taken to the net worth component of the Council's Balance Sheet. Only an element calculated pro rata to the precepts above therefore appears as a balance in the net worth section of the Balance with the remainder treated as a debtor.

	2007/08 £000s	2008/09 £000s
London Borough of Hammersmith and Fulham	(1,713)	373
Greater London Authority	(585)	139
	(2,298)	**512**

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE ACCOUNT

	Note	2007/08 Net Expenditure £000s	2008/09 Net Expenditure £000s
Income			
Dwellings Rents (Gross)		(53,996)	(54,982)
Non-dwelling Rents (Gross)		(2,317)	(2,386)
Charges for Services and Facilities		(7,848)	(10,192)
Contributions towards Expenditure		(580)	(551)
HRA Subsidy Receivable (including MRA)	7	(13,836)	(11,245)
Total Income		**(78,577)**	**(79,356)**
Expenditure			
Repairs, Maintenance and Management			
Repairs and Maintenance		15,337	16,830
General Management		22,308	26,309
Special Services		9,080	9,384
Rent, Rates, Taxes and Other Charges		1,659	1,504
Increase in Provision for Doubtful Debts		406	(261)
Depreciation & Impairment of Fixed Assets	6	11,518	14,140
Debt Management Costs		102	120
Deferred Charges		248	0
Net Cost of HRA Services included in the whole authority Income and Expenditure Account		**(17,919)**	**(11,330)**
HRA Services Share of Corporate and Democratic Core		497	497
Net Cost of HRA Services		**(17,422)**	**(10,833)**
HRA Share of the Operating Income and Expenditure included in the whole authority Income and Expenditure Account			
(Gain)/Loss on Disposal of HRA Fixed Assets		177	(4,558)
Interest Payable and similar Charges		16,425	19,252
Amortisation of Premiums and Discounts		1,627	860
Interest and Investment Income		(2,117)	(1,914)
Pensions Interest Costs and Expected Return on Pension Assets		212	382
(Surplus)/Deficit for the year		**(1,098)**	**3,189**

STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE

	2007/08 £000s	2008/09 £000s
(Surplus)/Deficit for year on HRA Income and Expenditure Accou	(1,098)	3,189
Net additional amount required by statute to be debited/(credited) to the HRA balance for the year (Note 10)	(743)	1,884
Increase/(decrease) in Housing Revenue Account Balance for year	**(1,841)**	**5,072**
HRA Balance brought forward	(8,136)	(9,977)
HRA Balance carried forward	**(9,977)**	**(4,905)**

The Housing Revenue Account (HRA) reflects a statutory obligation to account separately for housing provision. It shows the major elements of housing expenditure – management, maintenance, rent rebates, and capital financing costs and how these are met from rents, subsidy and other income. The account is required to be self-financing, and cannot be subsidised by the General Fund.

The HRA Income and Expenditure Account shows in more detail the income and expenditure on HRA services included in the whole authority Income and Expenditure Account, comprising amounts included in the whole authority Net Cost of Services for the HRA and the HRA's share of Operating Income and Expenditure such as Pensions Interest Costs and Expected Return on Pensions Assets.

The Statement of Movement on the Housing Revenue Account Balance shows how the HRA Income and Expenditure Account surplus or deficit for the year reconciles to the movement on the Housing Revenue Account Balance for the year.

NOTES TO THE HOUSING REVENUE ACCOUNT

1. HOUSING STOCK

The Council has overall responsibility for managing the housing stock. The day to day management is carried out on behalf of the Council by Hammersmith and Fulham Homes. The average number of dwellings during 2008/09 was 13,116. The stock movement during the year was as shown in the table below. The figure for hostels is based on dwelling equivalents; for this purpose three bed spaces equals one dwelling.

	Dwellings Number	Hostels Number	Equity Share Number	Total Number
Number at 1 April 2008	**13,006**	**125**	**14**	**13,145**
Adjust to opening balance	1			1
Sub-Total	**13,007**	**125**	**14**	**13,146**
Right to Buy Sales	(7)			(7)
Hostel Sales		(11)		(11)
Non Right to Buy	(12)			(12)
Number at 31 March 2009	**12,988**	**114**	**14**	**13,116**

2. STOCK VALUATION

The net Balance Sheet value of the land, houses and other assets within the HRA is as follows:

	1 April 2008 £000s	31 March 2009 £000s
Operational Assets		
Housing Dwellings	1,352,203	1,346,732
Other Land and Buildings	13,064	12,790
Non Operational Assets		
Other Land and Buildings	22,208	23,922
Vehicles, Plant, Equipment and Intangible Assets	1,531	1,324
Total	**1,389,006**	**1,384,768**

The open market, vacant possession value of hostels, houses and flats within the HRA as at 1 April 2008 was £3.785 million. This compares to the balance sheet value of £1.401 million for the Council's hostels, houses and flats as at 1 April 2008. This is an indication of the economic and social cost of providing Council housing at less than full market rents.

3. MAJOR REPAIRS RESERVE

This reserve is credited with the depreciation charged to the HRA each year plus an adjustment to ensure the net credit in the year equals the Major Repairs Allowance which forms part of the overall Housing Subsidy arrangements. The reserve is only available for financing major repairs carried out to the housing stock. Any sums unspent are carried forward for use in future years.

	2007/08 £000s	**2008/09 £000s**
Balance as at 1 April	(19,595)	(30,862)
Depreciation Charges to HRA	(11,614)	(13,235)
Adjusting Transfer from HRA:		
Depreciation on Non-Dwellings	569	502
Excess / (Shortfall) of Depreciation on Dwellings over MRA	(269)	1,492
Funding of Capital Expenditure	47	11,430
Balance as at 31 March	**(30,862)**	**(30,673)**

4. CAPITAL EXPENDITURE FINANCING

Capital expenditure, mainly on dwellings, amounted to £72.787 million (£50.350 million in 2007/08) in the year. The following summary shows how this was funded:

	2007/08 £000s	**2008/09 £000s**
Borrowing	50,350	59,741
Major Repairs Reserve	0	11,332
Other Grants and Contributions	0	1,714
Total	**50,350**	**72,787**

5. CAPITAL RECEIPTS

During the year the following capital receipts from disposals were received:

	2007/08 £000s	**2008/09 £000s**
Dwellings & Hostels	15,799	10,613
Total	**15,799**	**10,613**

6. DEPRECIATION AND IMPAIRMENT

The total charge for depreciation within the authority's HRA is shown below:

	2007/08 £000s	2008/09 £000s
Operational Assets		
Dwellings	11,045	12,733
Impairment	0	996
Other Land and Buildings	360	278
Non Operational Assets		
Vehicle, Plant, Equipment and Intangible Assets	210	224
Government Grants Deferred	(97)	(91)
Total	**11,518**	**14,140**

7. HRA SUBSIDY

The calculation of HRA subsidy for the year, in line with the subsidy determination is set out below:

	2007/08 £000s	2008/09 £000s
Allowance for Management	13,330	13,333
Allowance for Maintenance	20,440	20,369
Allowance for Major Repairs	11,315	11,241
Charges for Capital	20,663	23,104
Admissible Allowance	0	0
Other Items	1,204	1,204
Rent	(55,079)	(57,941)
Interest on Receipts	(85)	(72)
Anti Social Behaviour Allowance	1,732	0
Sub Total - Housing Element	**13,520**	**11,238**
Adjustment for Previous Year	316	7
Sub Total – Adjusted Housing Element	**13,836**	**11,245**
Rent Rebate Element	0	0
Total	**13,836**	**11,245**

8. RENT ARREARS AND BAD DEBT PROVISIONS

Gross rent arrears were as follows:

	1 April 2008 £000s	31 March 2009 £000s	Change £000s
Main Council Stock	3,694	3,392	(302)
Hostels	263	310	47
Total	**3,957**	**3,702**	**(255)**

Bad debt provisions at 31 March 2009 were:

	Total 2007/08 £000s	Ring-fenced (HRA) £000s	Total 2008/09 £000s
Main Council Stock	2,077	2,017	2,017
Hostels	271	300	300
Total	**2,348**	**2,317**	**2,317**

9. FRS17 RETIREMENT BENEFITS

The authority considers it to be proper accounting practice to allow the HRA to be charged with an attributable share of current and past service costs, interest costs and expected return on assets. To ensure that there is no net effect on the HRA, these entries are reversed out and replaced by employers' contributions payable by means of an appropriation to the Pensions Reserve in the Statement of Movement on the HRA Balance.

Note 6 to the Core Financial Statements provides further details.

10. NOTE OF RECONCILING ITEMS FOR THE STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE

	2007/08 £000s	2008/09 £000s
Items included in the HRA Income and Expenditure Account but excluded from the movement on the HRA Balance for the year		
Government Grants Deferred Amortisation	97	91
Gain/(Loss) on Sale of HRA Fixed Assets	(177)	4,558
Deferred Charges	(248)	0
HRA Share of Contributions (to)/from the Pensions Reserve	(223)	(294)
Impairment of Fixed Assets		(996)
Depreciation on non dwellings	(569)	(502)
Differences between amounts debited/credited to the Income and Expenditure Account and amounts payable/ receivable relating to premiums and discounts on early repayment of debt	32	465
Items not included in the HRA Income and Expenditure Account but included in the Movement on the HRA Balance for the year		
Transfer to/(from) the Major Repairs Reserve	269	(1,492)
Capital Expenditure funded by the HRA	0	0
Net Transfers to/(from) Earmarked Reserves	76	54
Net additional amount required by statute to be debited/ credited to the HRA Balance for the year	**(743)**	**1,884**

PENSION FUND ACCOUNTS

FUND ACCOUNT

	2007/2008 £000s		2008/2009 £000s	
Dealings with members, employers and others directly involved in the scheme				
Contributions				
From Employers	23,786		23,577	
From Members	6,713	30,499	7,527	31,104
Individual Transfers In		2,916		1,961
Other Income		31		35
Benefits				
Pensions	(13,297)		(14,151)	
Pension Increases	(5,350)		(5,677)	
Lump Sum Retirement Benefits	(4,898)		(4,281)	
Lump Sum Death Benefits	(298)	(23,843)	(518)	(24,627)
Payments to and on account of leavers				
Individual Transfers Out		(4,372)		(3,345)
Refund of Contributions		(7)		(8)
State Scheme Premiums		(4)		(2)
Administration Expenses		(995)		(970)
Net Additions (Withdrawals) from dealings with members		**4,225**		**4,148**
Returns on Investments				
Investment Income		10,205		11,586
Taxation (Irrecoverable Withholding Tax)		(141)		(125)
Change in Market Value of Investments				
Realised		11,993		26,134
Unrealised		(21,134)		(78,962)
Investment Management Expenses		(1,773)		(2,355)
Net Returns on Investments		**(850)**		**(43,722)**
Net Increase (Decrease) in the Fund during the Year		**3,375**		**(39,574)**
Opening Net Assets of the Scheme		**457,070**		**460,445**
Closing Net Assets of the Scheme		**460,445**		**420,871**

NET ASSETS STATEMENT

	31st March 2008 £000s	31st March 2009 £000s
Investment Assets		
Fixed Interest Securities – Public Sector	25,483	3,384
Fixed Interest Securities – Private Sector	29,423	6,884
Index Linked Securities – Public Sector	38,698	8,189
Index Linked Securities – Private Sector	417	116
Equities – UK	74,221	69,599
Equities – Overseas	120,684	108,275
Pooled Investment Vehicles		
Managed Funds – UK Fixed Interest	29,557	54,644
Managed Funds – UK Equities	85,825	28,871
Managed Funds – Overseas Equities	42,417	0
Managed Funds – Libor Plus 1 Fund	0	39,073
Managed Funds – Cash Fund	0	125
Managed Funds – Dynamic Asset Allocation Fund	0	79,841
Managed Funds – Real Return Fund	0	1,409
Managed Funds – Gold Fund	0	1,469
Managed Funds – Private Equity	6,669	7,913
Cash Deposits	5,330	13,054
Other Investment Balances		
Amounts Outstanding on Sale of Investments	502	2,012
Investment Income Due	2,081	1,713
Investment Liabilities		
Investment Income Due	(1,073)	(6,634)
Total Investment Assets	**460,234**	**419,937**
Current Assets		
Contributions due from Employers	171	273
Combined Benefits	31	34
Cash Balances	661	1,780
Current Liabilities		
Unpaid Benefits	(257)	(768)
Investment Management Expenses	(353)	(375)
Administration Expenses	(42)	(10)
Total Assets	**460,445**	**420,871**

The objective of the fund's accounts is to provide information about the financial position of the fund. The accounts summarise the transactions of the fund and show the net assets of the fund at the end of the financial year. They do not take account of liabilities to pay pensions and benefits which fall due after the financial year. The actuarial position of the fund, which does take account of such obligations, is set out in paragraph 3 below.

NOTES TO THE PENSION FUND ACCOUNTS

1. INTRODUCTION

The Pension Fund is a funded, defined benefits scheme established in accordance with statute, which provides for the payment of benefits to employees and former employees of Hammersmith and Fulham Council and the admitted bodies in the fund. These benefits include retirement pensions, widows' pensions, and early payment of benefits on medical grounds and payment of death benefits where death occurs either in service or in retirement. The fund is financed by contributions from employees, the Council, the admitted bodies and from interest and dividends on the fund's investments. The benefits payable are based on an employee's final salary and the number of years of eligible service. Pensions are increased each year in line with the Retail Price Index.

The regulations governing the administration of the pension scheme and those regarding scheme benefits, membership and contributions are updated on a regular basis by central government. A revised scheme came in to effect from 1st April 2008.

The Council has delegated the investment arrangement of the scheme to the Pensions Fund Investment Panel ("The Panel") who decide on the investment policy most suitable to meet the liabilities of the fund and the ultimate responsibility for the investment policy lies with it. The Panel is made up of eight elected representatives of the Council, including two opposition party representatives, each having voting rights. Members of the admitted bodies and representatives of the Trade Unions may attend the Panel meetings but have no voting rights.

The Panel reports to the full Council and has full delegated authority to make investment decisions. The Panel obtains and considers advice from the Director of Finance and Corporate Services, and as necessary from the fund's appointed actuary, investment managers and advisor.

The Panel has delegated the management of the fund's investments to professional investment managers, appointed in accordance with the regulations, and whose activities are specified in detailed investment management agreements and monitored on a quarterly basis.

At the 31st March 2009 there were 4,297 employees (4,572 at 31st March 2008) who were contributing to the scheme, 3,903 pensioners (3,812 at 31st March 2008) receiving benefits and 4,714 deferred pensioners (4,343 at 31st March 2008). A number of external bodies have been admitted to the Fund by admission agreements. Details of these scheduled and admitted bodies are shown in notes 13 and 14 below.

2. ACCOUNTING POLICIES

(a) <u>General Principles</u>

The accounts have been prepared in accordance with the requirements of Section 2: Recommended Accounting Practice of the Pension SORP 2007 and the Code of Practice on Local Authority Accounting in the UK issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The accounts have been prepared on an accrual basis in accordance with the Code, apart from transfer values which have been accounted for on a cash basis.

(b) **Valuation of Investment Assets**

The Pension SORP 2007 required that quoted securities and pooled investment vehicles should now be valued at bid price (previously mid price) and where a market value is not available on a fair value basis. For local authorities these requirements have effect from the 2008/2009 accounts. Consequently the quoted securities and pooled investment vehicles have been valued at the bid price at the balance sheet date. Quoted securities are valued by Northern Trust, the fund's custodian and Pooled Investment Vehicles at the bid prices quoted by their managers.

Where appropriate, market values and cash deposits listed in overseas currencies are converted into sterling at the rates of exchange ruling at the balance sheet date. Unlisted investments are valued at an approximation of their current market value having regard to fair value, latest dealings, professional valuations and other appropriate financial information.

The comparative value of the assets of the fund in the 2007/2008 accounts have not been restated using bid prices. Using bid prices would have resulted in the total value of the fund at the 31st March 2008 decreasing from £460.445 million to £459.552 million a decrease of 0.2%. The value of the investment assets of the fund would have decreased from £460.234 million to £459.341 million.

(c) **Investment Management Expenses**

The Council has appointed external investment managers to manage the investments of the Fund. These managers are paid a fee based on the market value of the investments they manage and/or a fee based on performance.

(d) **Administration Expenses**

In accordance with the regulations the Council's expenses in administering the scheme are charged to the Fund.

3. STATEMENT OF ACTUARY

The Scheme Regulations require that a full actuarial valuation is carried out every third year. The purpose of this is to establish that the London Borough of Hammersmith & Fulham Pension Fund is able to meet its liabilities to past and present contributors and to review employer contribution rates.

The last full actuarial investigation into the financial position of the Fund was completed as at 31 March 2007, in accordance with Regulation 77(1) of the Local Government Pension Scheme Regulations 1997

Actuarial Position

Rates of contributions paid by the participating Employers during 2008/09 were based on the actuarial valuation carried out as at 31 March 2007.

The valuation as at 31 March 2007 showed that the funding ratio of the Fund had improved since the previous valuation with the market value of the Fund's assets at that date of £457.1m (£317.1m at 31 March 2004) covering 70% (66% at 31 March 2004) of the liabilities allowing, in the case of current contributors to the Fund, for future increases in pensionable pay. The shortfall in assets relative to the value of liabilities was £196.1m (£170.9m at 31 March 2004).

The valuation also showed that the required level of contributions to be paid to the Fund by participating Employers (in aggregate) with effect from 1 April 2008 was as set out below:

- 13.9% (13.1% at 31 March 2004) of pensionable pay to meet the liabilities arising in respect of service after the valuation date.

Plus

- 8.3% (8.2% at 31 March 2004) of pensionable pay to restore the assets to 100% of the liabilities in respect of service prior to the valuation date, over a recovery period of 25 years from 1 April 2008.

These figures are based on the Regulations in force, or enacted by Parliament and due to come into force, at the time of signing the valuation report, and in particular allowed for the following changes to the Fund benefits since the previous valuation:

- The Rule of 85 retirement provisions were reinstated, and subsequently removed again. Transitional protections for some categories of member were extended to widen their coverage.

- Changes were made consistent with the Finance Act 2004.

- A new scheme was put in place which comes into effect as at 1 April 2008. All existing members transferred to the new scheme as at that date.

The majority of Employers participating in the Fund pay different rates of contributions depending on their past experience, their current staff profile, and the recovery period agreed with the Administering Authority.

The rates of contributions payable by each participating Employer over the period 1 April 2008 to 31 March 2011 are set out in a certificate dated 28 March 2008.

If the actuarial assumptions are borne out in practice, the rate of contribution for each Employer would continue at the 2010/11 level for the balance of the recovery period used for that Employer, before reverting to the relevant long term rate. In practice contribution rates will be reviewed at the next actuarial valuation which is due to be carried out as at 31 March 2010.

The contribution rates were calculated using the projected unit actuarial method and taking account of the Fund's funding strategy as described in the Funding Strategy Statement.

The main actuarial assumptions were as follows:

Discount rate for periods:		
In service		
	Admitted Bodies	6.20% a year
	Scheduled Bodies	6.45% a year
Left service		
	Admitted Bodies:	5.20% a year
	Scheduled Bodies:	6.45% a year
Rate of general pay increases		4.70% a year
Rate of increases to pensions in payment		3.20% a year
Valuation of assets		market value

This statement has been prepared by the Actuary to the Fund at the 31st March 2007, Hewitt Associates Limited (previously Hewitt Bacon & Woodrow Limited), for inclusion in the accounts of the London Borough of Hammersmith & Fulham. It provides a summary of the results of the actuarial valuation which was carried out as at 31 March 2007. The valuation provides a snapshot of the funding position at the valuation date and is used to assess the future level of contributions required.

Hewitt Associates Limited does not accept any responsibility or liability to any party other than our client, the London Borough of Hammersmith & Fulham, in respect of this statement.

4. MANAGEMENT OF INVESTMENTS

During 2007 the Panel, after advice from P-Solve, the Fund's advisor, agreed a new investment strategy consisting of having four portfolios, UK Equity, Global (ex UK) Equity, Dynamic Asset Allocation and a Matching Fund (to match some of the Fund's liabilities). Each portfolio represents approximately 25% of the total Fund. The investment strategy is designed to give diversification and specialisation and achieve optimum return against acceptable risk. The strategy has been implemented during 2007/2008 and 2008/2009 and will be completed in early 2009/2010.

Within the four portfolios the Panel has appointed external investment managers with clear strategic benchmarks which place maximum accountability for performance against that benchmark on the investment manager.

The UK Equity portfolio is managed by Majedie Asset Management, the Global (ex UK) portfolio by MFS International (UK) Ltd, the Dynamic Asset Allocation portfolio is split 75% to Baring Asset Management Ltd and 25% to Ruffer LLP and the Matching Fund is split equally between Goldman Sachs Asset Management and Legal and General Investment Management.

Additionally, the Panel has agreed to invest up to £15 million in four private equity fund of funds. Two managed by Invesco, which has approximately 75% invested in the United States and 25% in Europe, and the other two by Unigestion which is invested almost entirely in Europe.

The market value and proportion of the investments managed by each fund manager at 31st March is as follows:

	31st March 2008		31st March 2009	
	MARKET VALUE £000s	TOTAL %	MARKET VALUE £000s	TOTAL %
Legal and General	227,081	49.3	54,778	13.0
Goldman Sachs	57,711	12.6	52,630	12.5
Majedie Asset Management	84,351	18.3	96,107	22.9
MFS International	83,871	18.2	100,740	24.0
Barings Asset Management			79,841	19.0
Ruffer LLP			27,194	6.5
Invesco Private Equity	3,395	0.7	4,682	1.1
Unigestion Private Equity	3,502	0.8	3,812	0.9
Barings English Growth Fund	323	0.1	153	0.1
	460,234	**100.0**	**419,937**	**100.0**

The Council has appointed Northern Trust as its global custodian. They are responsible for safe custody and settlement of all investment transactions, collection of income and the administration of corporate actions.

5. FUND PERFORMANCE

Northern Trust are also employed to monitor the investment performance of the fund. Performance is measured on a financial year basis against a customised benchmark. Until 31st December 2008, the benchmark was calculated based on the split between equities, UK Gilts, UK Index-Linked gilts and UK Corporate Bonds. From 1st January 2009, following the implementation of the new investment strategy, the benchmark was changed to more reflect the performance against the Fund's liabilities. The benchmark was defined as a portfolio of index-linked gilts with an average duration of 18 years in line with the Fund's liabilities with an outperformance target of the benchmark of 1.75% per annum.

The performance compared to the benchmark is as follows:

	2007/2008 %	2008/2009 %	3 Years % pa	5 Years % pa
Fund	(0.2)	(9.0)	(1.5)	5.3
Benchmark	(2.4)	(14.0)	(4.1)	3.6

6. INVESTMENT ASSETS - MOVEMENTS IN YEAR

The table below shows a reconciliation of the movement in the total investment assets of the fund for 2007/2008 and 2008/2009.

	2007/2008 £000s	2008/2009 £000s
Market Value of Investment Assets at 1st April	**457,678**	**460,234**
Movements in Year		
Purchase of Investments	119,985	317,353
Sale of Investments	(107,193)	(308,127)
Realised Profit/(Loss) on Sales	11,993	26,134
Unrealised Profit/(Loss) in Market Value	(21,134)	(78,962)
Change in Cash Deposits	(54)	7,724
Change in Debtors and Creditors	(1,041)	(4,419)
Market Value of Investment Assets At 31st March	**460,234**	**419,937**

The table below shows a reconciliation of the movement by major asset class of the fund in 2008/2009.

	Equities	Fixed Income	Pooled Investment Vehicles	Private Equity	Cash	Debtors & Creditors	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Value at 1st April 2008	**194,905**	**94,021**	**157,799**	**6,669**	**5,330**	**1,510**	**460,234**
Movements in Year							
Purchase of Investments	93,192	49,692	172,250	2,219			317,353
Sale of Investments	(72,387)	(80,189)	(154,417)	(1,134)			(308,127)
Realised Profit/(Loss) on Sales	15,367	(4,660)	14,855	572			26,134
Unrealised Profit/(Loss) in Market Value	(53,203)	(40,291)	14,945	(413)			(78,962)
Change in Cash Deposits					7,724		7,724
Change in Debtors and Creditors						(4,419)	(4,419)
Value at 31st March 2009	**177,874**	**18,573**	**205,432**	**7,913**	**13,054**	**(2,909)**	**419,937**

The total amount of direct transaction costs incurred in the purchase and sale of investments in 2008/2009 was £511,736 (£350,780 in 2007/2008).

7. ANALYSIS OF INVESTMENT ASSETS BY MARKET VALUE (All investments are quoted unless stated)

	31st March 2008		31st March 2009	
	£'000	£'000	£'000	£'000
United Kingdom				
Fixed Interest – Public Sector		23,321		0
Fixed Interest – Private Sector		17,479		6,175
Index Linked Securities – Public Sector		38,698		4,243
Index Linked Securities – Private Sector		417		116
Equities		74,221		69,599
Pooled Investment Vehicles				
UK Equity Funds	85,825		28,871	
Corporate Bonds – Over 10 years	11,120		10,436	
Over 15 years Gilt Index	11,069		0	
Over 5 years Index Linked Gilt	7,368		44,208	
Index Linked Real Return Fund	0		1,409	
Libor Plus 1 Fund	0		39,073	
Dynamic Asset Allocation Fund	0		79,841	
Money Market Cash Fund	0		125	
Gold Fund	0	115,382	1,469	205,432
Managed Funds – Private Equity (Unquoted)		323		154
Total United Kingdom		**269,841**		**285,719**
Overseas				
Fixed Interest – Public Sector		2,162		3,384
Fixed interest – Private Sector		11,944		708
Index Linked Securities – Public Sector		0		3,947
Equities				
North America	68,537		47,272	
Japan	9,918		12,279	
Europe (ex UK)	39,025		45,388	
Pacific Basin	2,501		3,034	
Other	703	120,684	302	108,275
Pooled Investment Vehicles				
North America	4,265		0	
Japan	7,519		0	
Europe (ex UK)	19,965		0	
World Advanced Emerging Index	3,241		0	
Asia Pacific ex Japan	7,427	42,417	0	0
Managed Funds – Private Equity (Unquoted)				
North America	3,393		4,371	
Europe	2,953	6,346	3,388	7,759
Total Overseas		**183,553**		**124,073**
Cash Deposits		5,330		13,054
Other Investment Balances				
Amounts outstanding on Sale of Investments		502		2,012
Amounts outstanding on Purchase of Investments		(1073)		(6,634)
Investment Income Due		2,081		1,713
Total Value of Investments		**460,234**		**419,937**

Minor changes have been made in the table above to the comparative figures for 2007/2008. In 2008/2009 the UK Equity Funds under Pooled Investment Vehicles are now classified together under UK Equities and some of the Managed Funds – Private Equity (Unlisted) have been reclassified as overseas. The changes have no effect on the overall values for 2007/2008.

8. INVESTMENT INCOME

The table below shows a breakdown of the investment income for the year.

	2007/2008 £000s	2008/2009 £000s
Income from Fixed Interest Securities	3,007	3,022
Dividends from Equities	5,499	6,846
Income from Index-Linked Securities	746	324
Interest on Cash Deposits	518	340
Currency profit/(loss)	(52)	14
Derivatives Income	495	235
Other	(8)	805
Total	**10,205**	**11,586**

9. CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

As at 31st March 2009, the fund had a commitment to invest a further £9.5million in the four private equity fund of funds managed by Invesco and Unigestion. It is anticipated that these commitments will be spread over the next six years.

10. RELATED PARTIES

The Council was a related party to the fund. Details of the relationship are disclosed in Note 1 to the Pension Fund Accounts. During 2008/2009, surplus pension fund monies were invested internally with the Council as a result of the day to day administration of the fund. The pension fund received £21,468 in interest from the Council during 2008/2009 on the internally invested cash. No other material transactions with related parties of the fund during 2008/2009 were identified

11. STOCK LENDING AGREEMENTS

We do not participate in stock lending or underwriting.

12. STATEMENT OF INVESTMENT PRINCIPLES

The Panel has approved a Statement of Investment Principles and this is available on the Council's Internet site. The Statement shows the Authority's compliance with the Myner's ten principles of investment management.

13. CONTRIBUTIONS RECEIVABLE

Employees who were members of the fund prior to 31 March 1998 were required to make fixed contributions by deductions from gross pay at the rate of 6% for salaried staff and 5% for manual workers. As from 1 April 1998, all new entrants to the fund were required to pay 6% of earnings. From 1st April 2008 a new scheme came in to effect and employee's contributions are now calculated on a sliding scale based on a percentage of their gross pay.

The Council, scheduled and admitted bodies are required to make balancing contributions determined by the fund's actuary to maintain the solvency of the fund.

The table below shows a breakdown of the total amount of employers' and employees' contributions made during the year.

	Employers' 2007/08 £000s	Employers' 2008/09 £000s	Employees' 2007/08 £000s	Employees' 2008/09 £000s
Scheduled Bodies				
LB Hammersmith and Fulham	19,546	19,673	5,652	6,049
H & F Homes	2,397	1,508	612	677
Mortlake Crematorium Board	41	57	11	15
London Oratory School	97	75	27	42
ARK Burlington Danes Academy	112	82	35	38
Admitted Bodies				
Peter Pan Trust	123		0	
Urban Partnership Group	16	58	4	17
H&F Community Law Centre	28	32	8	12
Family Mosaic	312	218	56	69
Disabilities Trust	5	5	1	1
Greenwich Leisure Ltd	3		2	
Medequip Assistive Technology	8	21	3	7
Blythe Neighbourhood Council	48		13	
Glencross Cleaning Ltd	3	2	2	2
Inspace Partnerships Ltd	129	82	31	21
H & F Bridge Partnership	830	588	233	255
Keir	74	156	19	40
P H Jones Ltd	5	4	2	2
Irish Cultural Centre	9	13	2	3
Quadron		220		56
Serco		725		203
Tendis		17		5
Turners		41		13
GRAND TOTALS	**23,786**	**23,577**	**6,713**	**7,527**

14. BENEFITS PAYABLE

The tables below show a breakdown of the total amount of benefits payable for 2008/2009.

	2007/2008 Pensions £000s	2008/2009 Pensions £000s	2007/2008 Pension Increases £000s	2008/2009 Pension Increases £000s
Scheduled Bodies				
LB Hammersmith and Fulham	12,909	13,591	5,333	5,626
H & F Homes	230	336	5	33
Mortlake Crematorium Board	21	23	3	4
Admitted Bodies				
H&F Community Law Centre	10	10	1	2
H&F Police Consultative Group	5	5	1	1
ROOM the National Council	5	5	1	1
Family Mosaic	67	86	6	7
Greenwich Leisure Ltd		2		
Blythe Neighbourhood Council	1	1		
Inspace Partnerships Ltd	8	21		1
H & F Bridge Partnership	41	61		2
Quadron		5		
Serco		5		
GRAND TOTALS	**13,297**	**14,151**	**5,350**	**5,677**

	2007/2008 Lump Sum Retirement Benefits £000s	2008/2009 Lump Sum Retirement Benefits £000s	2007/2008 Lump Sum Death Benefits £000s	2008/2009 Lump Sum Death Benefits £000s
Scheduled Bodies				
LB Hammersmith and Fulham	4,110	3,607	244	467
H & F Homes	611	276	54	51
Mortlake Crematorium Board	19	7		
Admitted Bodies				
H&F Community Law Centre	3			
Family Mosaic	44	66		
Inspace Partnerships Ltd		78		
H & F Bridge Partnership	111	171		
Quadron		31		
Serco		45		
GRAND TOTALS	**4,898**	**4,281**	**298**	**518**

15. ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVC'S)

The pension fund's AVC providers are Zurich Assurance and the Equitable Life Assurance Society, although no employees are currently contributing to the Equitable Life scheme except for death-in-service cover.

The assets of these investments are held separately from the Fund. The AVC providers secure benefits on a money purchase basis for those members electing to pay AVCs. Members of the AVC schemes each receive an annual statement confirming the amounts held in their account and the movements in the year. The fund relies on individual contributors to check that deductions are accurately reflected in the statements provided by the AVC providers.

16. POST BALANCE SHEET EVENTS

Events have been considered to 29 June 2009 when the accounts were authorised for publication and audit by the Council's Audit Committee. At the 31st May 2009 the market value of the investments of the Fund had risen to approximately £447million, this valuation was the last availablee before 29 June 2009. This was entirely due to the rise in global stock markets since the date of the balance sheet.

ANNUAL GOVERNANCE STATEMENT

Scope of responsibility

Hammersmith & Fulham Council ("the Council") is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

The Council has an approved and adopted code of corporate governance embedded in its Financial Regulations, which is consistent with the principles of the CIPFA/SOLACE *Framework Delivering Good Governance in Local Government.* A copy of the code and Financial Regulations is contained in the Councils constitution and is available on the Council website. This statement explains how Hammersmith & Fulham Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) ([England) Regulations 2006 in relation to the publication of a statement of internal control.

The purpose of the governance framework

The governance framework comprises the systems, processes, culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Council for the year ended 31st March 2009 and up to the date of approval of the annual report and statement of accounts.

The governance framework

The key elements of the systems and processes that comprise the authority's governance arrangements are:

- Identifying and communicating the authority’s vision of its purpose and intended outcomes for citizens and service users

The Council approves its objectives and strategy through its executive (known as the Cabinet and through decisions of the full Council in respect of certain defined matters such as the Council's budget. The meetings are open to the public except where personal, confidential or exempt matters (within a limited number of categories set out in legislation) are being discussed.

The principal publicly available documents setting out the Council’s key objectives are the Borough's Community Strategy, the Council's Local Performance Plan, and the Borough's Local Area Agreement and these can be accessed via the Council website.

- reviewing the authority’s vision and its implications for the authority’s governance arrangements

A review of the Council’s constitution takes place each year at the Annual Council meeting. Amendments that arise in-year based on any change in focus to the Council’s vision or where change in legislation affects existing governance arrangements are presented to the Corporate Management Team Cabinet, and Full Council for approval as required.

- measuring the quality of services for users, for ensuring they are delivered in accordance with the authority’s objectives and for ensuring that they represent the best use of resources

The authority continues to produce a range of National and operational Performance Indicators. These are reported to senior management as well as appropriate Member committees for review, which makes the information available to the general public. A programme of change management has been under way since 2004/05 and continued through 2008/09 year that has involved restructuring the authority, helping to improve overall efficiency and effectiveness.

- defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication

The Councils constitution clearly documents the roles, functions, responsibilities and delegated powers of the Cabinet and cabinet members, chief officers, the scrutiny process, and of its “Key” decisions process (those which involve significant savings or expenditure or which have a significant impact). Key decisions are set out in a Forward Plan and decisions are taken in public unless certain statutory ‘exempt’ subject matter is being discussed. Decisions, which are not classified as key, are taken either by Cabinet members or by officers using the delegated powers set out in the constitution. Cabinet Members’ decisions are set out in a report signed by the relevant cabinet member. Certain matters e.g. planning, licensing and senior appointments must be dealt with by either a committee that reflects the political balance of the council or officers as set out in the constitution.

Policies other than those decided by the full Council under the Budget and Policy Framework are decided by the Cabinet. The Cabinet is responsible for all executive functions. Non-executive functions which are set out in regulations must be dealt with by committees of members or individual officers e.g. planning applications.

- developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff

As required under the Local Government Act 2000, the Council has adopted a constitution, which is reviewed and re-published every year at the end of May. This sets out how the Council operates, how decisions are made, and contains procedures which ensure that these are efficient, transparent and accountable to local people. The Constitution includes a code of conduct for members (a national code, overseen by the Standards Board for England and from May 2008 the Council's own Standards Committee) and various additional local protocols governing Members and officers.

The Council has recently approved an Anti-Fraud and Corruption Strategy that incorporates a Code of Conduct for Members and Officers. The strategy incorporates appropriate reporting procedures. Staff are provided with a copy of the officers' code of conduct upon taking up post with the council. Standards of conduct of councillors are overseen by the Standards Committee.

- reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks

Standing Orders and Standing Financial Instructions form part of the Constitution. As such they are reviewed and approved annually. There is a framework of regular financial management information and reporting to all levels of management and to Members. In addition there are Financial Regulations and financial procedures in place, which are regularly reviewed, including the Contracts Standing Orders and a structure of Financial Delegations. These include appropriate checks and management monitoring to help ensure compliance.

- undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities

The Council has also established an Audit Committee for the purposes of approving its accounts and considering audit and risk management matters generally. This committee met for the first time in March 2006. Its terms of reference form part of the Council's overall constitution. These are fully compliant with the CIPFA guidance.

- ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful

Regular reports are produced by the authority of compliance with current initiatives and external requirements e.g. reporting on PI performance. Services are delivered by suitably experienced staff. All posts have a detailed job description, and professionally qualified finance staff are employed in key roles throughout the organisation. There is an internal audit service that undertakes reviews of and reports on the adequacy and effectiveness of internal control. This includes an annual, independent assurance statement by the Chief Internal Auditor giving their opinion on the authority's overall system of internal control. The Internal Audit Service has been subject to an independent annual review since financial year 2006/7.

All Cabinet reports are cleared by the Head of Legal Services and by the Director of Finance. The Council has recently approved an Anti-Fraud and Corruption Strategy that incorporates a Code of Conduct for Members and Officers. The strategy incorporates appropriate reporting procedures. The council has corporate boards, including scrutiny committees and partnership boards, whose role is to approve plans and monitor performance.

The Council established a Standards Committee in 2003. The Standards Committee will comprise 10 members (5 Councillor members and 5 independent persons drawn from outside the Council). The Committee will always be chaired by one of the independent members, and oversee the Council's ethical framework of codes and processes designed to ensure policy probity and high standards of conduct in respect of councillors. This committee meets regularly.

- whistle-blowing and for receiving and investigating complaints from the public

The Council has had a whistle blowing (confidential reporting) procedure in place since 1996 and this has been communicated to all staff via the corporate Intranet which is to be reviewed and updated this year.

Complaints procedures are clearly signposted on the Council’s internet site. This 3 step protocol is managed by the Corporate Complaints Officer based in the Finance and Corporate Services Department.

The Council also has a Monitoring Officer whose role and responsibilities are clearly defined in legislation and in the Council's constitution. This officer is ably supported by the authority’s Legal Services Division.

- identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training

All Members are required to undergo initial training without which they are not authorised to take up their posts. Additional directed training is provided to Cabinet and Committee members as needed, as an example the Audit Committee receives training before each of its meetings. The Leader undertakes appraisal meetings with cabinet Members and Chief Officers annually from which additional training programmes may arise. A review of Member training is planned during the 2008/09 year.

- establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation

Many forms of consultation take place across council policy and budget and council tax setting and from the compilation of the Community Strategy and Corporate Performance Plans. The Council also uses a web based consultation package, Citizen Space, available through the Council’s Internet. Added to these are the public forums for local issues such as Post Office Closures, Super Sewer and the Leader Listens. Each year a Borough Residents Survey takes place that acts as a test of satisfaction in relation to the council’s overall performance. The Council also produces its own newspaper distributed to residents called H & F News and performance and finance related material is available in both hard copy and electronic format available either centrally, on request or through release at local libraries.

- incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships and reflecting these in the authority's overall governance arrangements

In its wider community leadership role, the Council established in 1999 the Borough Partnership. This is now accredited as a Local Strategic Partnership (LSP), by the DCLG and Government Office of London. It is responsible for overseeing and updating the local community strategy, as a 10 year strategic vision for the area. The Borough Partnership has established a local public services board, to prepare and deliver the Local Area Agreement for Hammersmith and Fulham. A full refresh of the Local Area Agreement was conducted during 2007/8 alongside a review of the councils partnering activity considered by the Corporate Management Team. Where services are delivered through significant partners such as the Primary Care Trust, H & F Bridge Partnership for Information and communication technology, or H & F Homes for Housing services, performance monitoring arrangements are in place and assurances of their internal governance arrangements have been reviewed.

Review of effectiveness of governance framework
The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates. A review of the main elements of the Council's entire governance framework has been completed and no significant issues found which is to be reported to the Council's Corporate Management Team.

Control Assurances and Group Accounts
The Council has reviewed in detail the control assurances across the authority and of its significant partners and advice on the implications of the result of the review of the effectiveness of the Internal Control environment to the audit committee and a plan to address weaknesses and ensure continuous improvement of the system is in place. Assurances have been sought of entities that form part of the Group Accounts and these have been included as part of this review. Matters pertaining to H & F Homes and H & F Bridge Partnership in which the council has an interest are disclosed as part of the following list of governance control issues.

Governance Control Issues:

The 2008-2009 statement contains 7 control issues. Action undertaken in the year has resulted in 5 of the 7 control matters being cleared, one issue remains outstanding from the 2007-2008 statement and 1 is new for 2008-2009. Details of the control issues are listed below and both the outstanding item and new issue are being addressed.

Control improvements carried over from the 2007-2008 statement and cleared

1. *Performance of H&F Homes*
The Performance of H & F Homes was identified as a significant control issue in

the 2007-2008 Annual Assurance Statement. Slippage on the Decent Homes programme, managed through the council's delivery partner H & F Homes, highlighted a governance and effective monitoring issue in 2007-2008 that was further brought into focus with the last Audit Commission review of H&F Homes. The Decent Homes delivery plan has been updated and is now ahead of target as at 31st March 2009. Client monitoring arrangements have been reviewed and Executive Management replaced. Additionally an improvement plan is in place to enable closer and more effective scrutiny plus enhanced liaison with H & F Homes management. Action undertaken demonstrates significant progress and as such the matter is no longer considered a significant control issue.

2. *Financial Reconciliations*
This issue was raised in last year's statement, which identified control weaknesses relating to the regularity and timeliness of the bank reconciliation and other feeder systems into the OLAS Accounting system. While the existing process for the bank reconciliation had been recognised as being difficult and unwieldy a procedure to address this had been implemented by Corporate Finance. The bank reconciliation has been undertaken throughout the 2008/09 year and reported periodically to FSB. While feeder systems still need to be fully mapped work is already under way to achieve this and a manual reconciliation between the PCN income system and the OLAS financial system was introduced from January 2009. As a result this issue is considered resolved.

3. *Weaknesses in accounts compilation and evidencing*
This issue is now considered closed due to the progress made in year by the Corporate Finance Division.

4. *Certification of Grant Claims*
This issue was raised in the 2006/07 year statement and carried over into 2007/08. The council has now established strong liaison arrangements across departments and has worked closely with the Audit Commission to put in place a robust protocol. This includes measures to resolve the quality of work underpinning grant submissions. This has resulted in virtually all grant returns now being made on time with good quality supporting papers, as such this is now considered closed.

5. *Health & Safety*
Internal Audit conducted a general review of Health & Safety arrangements in 2007-2008 in preparation for the Corporate Manslaughter Act. The review culminated in a report providing a Limited Assurance and proposing recommendations for improvement. Process improvements have included reviewing the structure, delivery, communication and output from the central Safety Team and the responsiveness, training and application of Managers towards Health & Safety issues. A follow up audit is planned with the expectation that it will show substantial progress therefore this is no longer deemed a significant control weakness.

Control issue carried over from 2007-2008

1. *Business Continuity*
The council has a statutory duty to prepare and test its continuity arrangements. Work in 2007/8 placed the council in much more favourable position through the establishment of formal service continuity plans across many of the council's services. This was supported in 2008-2009 by the move of some core IT functions to other sites automatically increasing resilience in the event of a single

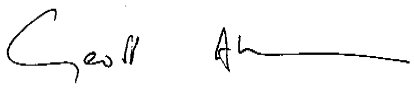
point of failure. Response plans and their quality or appropriateness were not reviewed in the period 2008-2009 however arrangements are in place to refresh service resilience plans this year. Public awareness of Civil Response arrangements remains low.

New issue 2008-2009

1. *Frameworki*
Control issues emerging from the use of the Frameworki system were reported to Cabinet. The report highlighted concerns in the performance reporting, reliability and output of date from the system. Supporting Social Workers is key to safeguarding clients and the system has provided a number of challenges in what is a very complex case recording system. There is a good multi working arrangement across agencies that somewhat mitigate the risks however as these issues are of significance they will be monitored against actions and recommendations in the report to Cabinet.

The Council propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:…………



Chief Executive

Signed:…………

Leading Member

On behalf of Hammersmith & Fulham Council

GLOSSARY OF FINANCIAL TERMS

ACCOUNTING PERIOD

The timescale during which accounts are prepared. Local authority accounts have an overall accounting period of one year from 1st April to 31st March.

ACCOUNTING STANDARDS

A set of rules explaining how accounts are to be kept. By law, local authorities must follow 'proper accounting practices', which are set out in Act of Parliament and in professional codes and statements of recommended practice.

ACCRUALS

An accounting principle where income and expenditure are taken into account in the year in which they are earned or incurred, rather than when monies are received and/or invoices are actually paid.

ACQUISITIONS

The Council spends funds from the capital programme to buy assets such as land and buildings.

ACTUARIAL VALUATION

Every three years the Actuary reviews the assets and liabilities of the Pension Fund and reports to the Council on the fund's financial position and recommended employers' contribution rates.

AGENCY SERVICES

Services provided by or for another local authority or public body where the cost of carrying out the service is reimbursed.

ARMS LENGTH MANAGEMENT ORGANISATIONS (ALMOs)

An ALMO is a not-for–profit housing management company that is wholly owned and controlled by a local authority – Hammersmith & Fulham Homes (HFH). The aim of an ALMO is to ensure that Councils invest their housing resources efficiently, economically and strategically to provide 'Decent Homes' for tenants.

APPROPRIATION

The transfer of ownership of an asset, from one Service Area to another at an agreed (usually market or outstanding debt) value.

ASSET REGISTER

A record of Council assets including land and buildings, housing, infrastructure, vehicles equipment etc. This is maintained for the purpose of calculating capital charges that are made to service revenue accounts. It is updated annually to reflect new acquisitions, disposals, revaluations and depreciation.

AUDIT COMMISSION

The body responsible for the appointment of external auditors to local authorities, co-ordinating audits throughout the country, setting standards and monitoring performance.

BALANCES

The amount of money left over at the end of the year after allowing for all expenditure and income that has taken place. These are also known as financial reserves. They comprise of the General Fund balance, the Collection Fund balance, the Housing Revenue Account balance and the Education Establishment Account balance.

BEST VALUE ACCOUNTING CODE OF PRACTICE (BVACOP)

BVACOP sets the financial reporting guidelines for local authorities. It supplements the principles and practice set out in the Code of Practice on Local Authority Accounting (known as the SORP), by establishing practice for consistent reporting. It provides guidance in three key areas:

- The definition of total cost
- Good Practice Guidance
- Service expenditure analysis

CAPITAL EXPENDITURE

Expenditure on the purchase, construction and enhancement of Council assets such as houses, offices, schools and roads. Expenditure can only be treated as 'capital' if it meets the statutory definitions and is in accordance with accounting practice and regulations.

CAPITAL FINANCING

This term describes the method of financing capital expenditure, the principal methods now being loan financing, leasing, capital receipts and Capital Resource Funds.

CAPITAL FINANCING REQUIREMENT

The authority's total liabilities in respect of capital expenditure financed by credit less the provision made to meet these liabilities.

CAPITALISATION

Costs are capitalised to the extent that they create or improve any fixed asset with a useful economic life greater than one year.

CAPITAL RECEIPTS

Monies received from the sale of the Council's assets such as land and buildings. These receipts are used to pay for additional capital expenditure.

COLLECTION FUND

The Collection Fund is a separate account kept by every billing authority into which Council Tax and Business rates are paid.

CONTINGENT LIABILITIES

Possible losses that arise from past events which will only be confirmed by one or more uncertain future events not wholly within the council's control.

CREDITORS

Sums owed by the Authority for goods and/or services received, but for which payment has not been made by the end of the accounting period.

DEBTORS

Sums due to the Authority but not received by the end of the accounting period.

DEFERRED CREDITS

This is the term applied to deferred capital receipts and represents capital income still to be received. These transactions arise when fixed assets are sold and the amounts owed by the purchasers are repaid over a number of years. The balance is reduced by the amount repayable in any financial year.

DEFERRED LIABILITIES

Liabilities which by arrangement are payable beyond the next year at some point in the future or paid off by an annual sum over a period of time. The main example of this is outstanding finance lease obligations.

DEPRECIATION

A provision made in the accounts to reflect the value of assets used during the year. Depreciation forms part of the capital charge made to service revenue accounts.

EARMARKED RESERVES

These are reserves set aside for a specific purpose or a particular service, or type of expenditure.

FINANCE & OPERATING LEASES

A finance lease is one that transfers a substantial proportion of the risks and rewards of a fixed asset to the lessee. With a finance lease the present value of the lease payments equates to substantially all of the value placed on the leased asset.

For an operating lease a rental payment is payable to the lessor for the use of the asset and the ownership reverts to the owner when the lease is terminated.

FIXED ASSETS

These are tangible and intangible assets that yield benefit to the Council and the services it provides for a period of more than a year.

GENERAL FUND

The council's main revenue account that covers the net cost of all services other than the provision of council housing for rent.

GROSS EXPENDITURE, GROSS INCOME AND NET EXPENDITURE

Gross Expenditure and Gross Income arise from the provision of services as shown in the General Fund and exclude the Direct Services/Labour Organisation accounts. Net Expenditure is the cost of service provision after the income is taken into account.

HISTORIC COST

The actual cost of an asset in terms of past consideration as opposed to its current value.

HOUSING REVENUE ACCOUNT

A statutory account that contains all expenditure and income on the provision of Council housing for rent. The HRA must be kept entirely separate from the General Fund and the account must balance. Local authorities are not allowed to make up any deficit on the HRA from the General Fund.

HOUSING SUBSIDY

The grant payable by central government to local authorities to subsidise the cost of providing Council housing and the management and maintenance of that housing. The grant is paid into the Housing Revenue Account.

LEVIES

Payments to London-wide bodies such as the London Pension Fund Authority. The cost of these bodies is borne by local authorities in the area concerned, based on their Council Tax base and is met from the General Fund.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The Accounting standards adopted by the International Accounting Standards Board (IASB). Local Authorities will be required to produce "shadow" accounts for 2009/10 using IFRS and will be required to produce full accounts in 2010/11 using IFRS.

MINIMUM REVENUE PROVISION (MRP)

The minimum amount that the Council must charge to the revenue account in the year in respect of the repayment of principal of borrowing for capital purposes. In the accounts the MRP is included within capital financing charges.

NATIONAL NON-DOMESTIC RATE (NNDR)

The rates paid by businesses. The amount paid is based on the rateable value set by the Inland Revenue multiplied by a rate in the £ set by the government which is the same throughout the country. The rates are collected by local authorities and paid over to the government. They are then redistributed to local authorities on the basis of relevant population.

NET REALISABLE VALUE

The open market value of the asset less the expenses to be incurred in realising the asset.

OUTTURN

Actual income and expenditure in a financial year.

POOLING ARRANGEMENTS (CAPITAL RECEIPTS)

Since 1st April 2004, 75% of 'Right to Buy' capital receipts have to be paid to the DCLG; the remaining element can be used to finance capital expenditure. A proportion of other housing receipts must also be paid over unless it is intended to use the receipts for affordable housing or regeneration projects.

POST BALANCE SHEET EVENTS

Events arising after the balance sheet date should be reflected in the statement of accounts if they provide additional evidence of conditions that existed at the balance sheet date and materially affect the amounts to be included.

PRECEPT

A precept is a charge raised by another Authority to meet its net expenditure. The precepting Authority for this Council is the Greater London Authority (GLA). The GLA calculates its total spending needs for the year and sets its own council tax in the same way as a London Borough. Each Billing authority then collects the tax for them.

PROVISIONS

A provision is an amount set aside in the accounts for liabilities anticipated in the future which cannot always be accurately quantified. FRS 12 defines a provision as a present obligation as the result of a past event; where it is probable that the transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of that obligation.

PUBLIC WORKS LOAN BOARD (PWLB)

A central government agency which provides long and medium-term loans to local authorities at interest rates only slightly higher than those at which the Government itself can borrow. Local authorities are able to borrow a proportion of their requirements to finance capital spending from this source.

RESERVES

The amounts held by way of balances and funds that are free from specific liabilities or commitments. The council is able to earmark some of its reserves towards specific projects, whilst leaving some free to act as a working balance.

REVENUE CONTRIBUTIONS TO CAPITAL OUTLAY (RCCO)

The use of revenue monies to pay for capital expenditure – also known as Direct Revenue Financing (DRF).

REVENUE EXPENDITURE

Expenditure on day to day items such as salaries, wages and running costs. These items are paid for from service income, RSG, NNDR and Council Tax. Under the Local Government Finance Act all expenditure is deemed to be revenue unless it is specifically classified as capital.

REFCUS

Revenue Expenditure funded from Capital under Statute.

REVENUE SUPPORT GRANT (RSG)

The main grant payable to support local authorities' revenue expenditure. A local authority's RSG entitlement is intended to make up the difference between expenditure and income from the NNDR pool and Council Tax. Revenue Support Grant is distributed as part of Formula Grant.

RIGHT TO BUY

The council is legally required to sell council homes to tenants, at a discount, where the tenant wishes to buy their home. The money received from the sale is a capital receipt of which only 25% can be spent on capital expenditure. The remaining 75% must be paid over to the CLG under pooling arrangements.

SUPPORTED CAPITAL EXPENDITURE

This is capital expenditure funded by government, either as a one-off capital grant or as part of the annual RSG settlement to cover the financing costs of monies borrowed.

TRANSFER PAYMENTS

A payment to a person or organisation that does not result in a reciprocal benefit or service being provided to the council. The main examples are housing and council tax benefit. In most cases the cost of transfer payments is either fully or partially reimbursed by Central Government.

WRITE-OFFS

Income is recorded in the Council's accounts on the basis of amounts due. When money owing to the Council cannot be collected the income is already showing in the accounts and has to be reduced or written off.